This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

306 .A5123P V.2 C.1
Three phases of cooper
Stanford University Libraries
3 6105 047 120 642

STANFORD UNIVERSITY
LIBRARY

306
A 5123p

PUBLICATIONS

OF THE

AMERICAN

ECONOMIC ASSOCIATION

VOLUME II

AMERICAN ECONOMIC ASSOCIATION,

1888.

LIBRARY
OF THE
LELAND STANFORD JUNIOR
UNIVERSITY.

A6271

VC01 S, 84 - 11.

CONTENTS OF VOLUME II.

	Pages.
1.—Three Phases of Coöperation in the West. By AMOS G. WARNER, B. L.	1–119
2.—Historical Sketch of the Finances of Pennsylvania. By T. K. WORTHINGTON, A. B., with Introduction by RICHARD T. ELY, Ph. D.	126–225
3.—The Railway Question. By EDMUND J. JAMES, Ph. D.	236–295
4.—The Early History of the English Woollen Industry. By W. J. ASHLEY, M. A.	302–380
5.—Two Chapters on the Mediæval Guilds of England. By EDWIN R. A. SELIGMAN, Ph. D.	389–493.
6.—The Relation of Modern Municipalities to *Quasi*-Public Works. Report of the Committee on Public Finance.	501–581

THREE PHASES

OF

COÖPERATION IN THE WEST.

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. No. 1. | SIX NUMBERS A YEAR PRICE $4.00 A YEAR.

THREE PHASES

OF

COÖPERATION IN THE WEST.

By AMOS G. WARNER,

Fellow in History and Political Science, Johns Hopkins University.

AMERICAN ECONOMIC ASSOCIATION.

MARCH, 1887.

COPYRIGHT, 1887, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1887.

TABLE OF CONTENTS.

		Page.
	Prefatory Note	7
I.	Coöperation Among Farmers:	9
	1. Ohio	15
	a. Business Agency	15
	b. Cincinnati Grange Supply House	17
	c. Other Grange Stores	24
	d. Coöperative Creameries	26
	2. Other States	31
	a. Indiana	31
	b. Michigan	33
	c. Illinois	34
	d. Kansas	35
	e. Nebraska	38
	3. Causes of Failure	39
	4. Residual Benefits	46
II.	Coöperation Among Wage-Earners:	49
	1. Attitude of Laborers towards Coöperation	50
	2. Integral Coöperation	61
	3. Distributive Enterprises	67
	a. Coöperative Association No. 1	69
	b. National Coöperative Guild	74
	c. Streator Coöperative Society	76
	d. Laramie Coöperative Association and Others	78
	4. Productive Coöperation	82
	a. Mining Companies	4
	b. Furniture Makers	
	c. Planing Mills	92
	d. Carpentering	94
	e. Stove Works	94
	f. Pottery and Tile Works	95
	g. Clothing Factories	97
	h. Other Industries	98
	5. Points Omitted—Conclusions	100
III.	Coöperation Among Mormons:	106
	1. Zion Coöperative Mercantile Institution	107
	2. Other Forms of Mormon Coöperation	114

PREFATORY NOTE.

The district within which I have undertaken to study practical coöperation includes the states and territories of Ohio, Michigan, Indiana, Illinois, Missouri, Kansas, Nebraska, Colorado, Utah and Wyoming. The marking out of this district was entirely a matter of personal convenience and of agreement between myself and certain co-workers. The histories of the individual coöperative undertakings of this section—with the exception of those in Utah—do not differ greatly from those that will be described by other writers. Therefore, with the object of avoiding virtual repetition, the facts will be arranged in slightly different groups, and so an attempt made by a somewhat different classification to get additional light upon certain phases of the history of coöperation in this country.

Coöperation among farmers in the states named is for the most part of the past, while coöperation among wage-earners, so far as practical operations are concerned, is mainly of the future. The under-

takings of the first class will, then, be studied in their special relations, and will be found of value chiefly as giving data for studying the causes of failure, and for estimating the indirect value of coöperative enterprises that fail. As regards the second class, little more can at present be attempted than prophecy by description. A third class of coöperative undertakings, distinctly isolated from most of the conditions of the modern industrial organization, are those to be found among the Mormons. These have been recently pointed to as models for workingmen to copy, and in the last section of this monograph their organization, methods and results will be examined as thoroughly as the facts at hand permit.

THREE PHASES OF COÖPERATION IN THE WEST.

I.

COÖPERATION AMONG FARMERS.

There are special hindrances and special helps to organized action on the part of farmers. Their isolation, one from another, makes it difficult for them to become accustomed to acting together, and the whole education and life of each individual tends to develop his self-reliance in such a manner as often to diminish his capacity for being an efficient and agreeable co-worker with his fellows. Lacking the constant intercourse with others of his class which comes from urban or village life, the farmer has but small opportunities for estimating, from a comparative stand-point, his own powers and weaknesses. He is far enough up in the industrial scale so that he need depend upon no one but himself,—he is his own employer, and may by thrift become the employer of others; he has, in his farm, a perfectly safe place to invest all the capital or labor he has to expend, and may wait with perfect confidence for the rest of the industrial world to come to him for the products of his labor. The man who

has under his immediate control all the essentials for gaining a livelihood can have no radical quarrel with the existing organization of society. Judge Jeremiah Black, considering all the determinable forces at work in our country for good and for evil, believed that the hope of the nation was in this resultant conservatism of the rural population. No confiscation of rents, no mischievous interference of the state in the affairs of individuals, will be popular with those who own the farms they cultivate.

The tendency of the urban to outgrow the rural population, and the drift towards the cities of the best brain power produced on the farms, has been often noticed and deprecated. But perhaps it has not been so generally pointed out, that in quite recent times the very nature of the farmer's means of commanding a livelihood has been essentially altered, and his much-talked-of independence is being effectually undermined by the same division of labor and differentiation of interests that has produced at once the strife, and the interdependence of the various classes in the towns. In one aspect, perhaps, we may say that this tendency has attracted attention, and has led to the discussion of agrarian questions as related to our own country. But these discussions have to do with the influences—arising also in great measure from the increasing division of labor—that tend to crowd the small farmer out of existence: the forces that can, to a dangerous extent, make landlordism profitable and so inevitable. But in this paper it is to the purpose to speak only of the forces that have altered the character of the farmer's industrial duties, and, driving him from a condition of actual or potential isolation, have compelled him to

become a dependent though essential part of the modern industrial machine. The boiler is an essential part of the steam engine, but it could not even pump water for itself without the other parts; and in much the same way the farming population, though still at the basis of our industrial organization, must yet rely upon other classes to supply it with some of the things necessary to its continued activity. It is a long time since the farmer and the manufacturer of textile fabrics became mutually dependent, the one for his raw material and the other for the manufactured articles; but only since the war has it become the rule for the great mass of the farmer's products to leave his hands to be wrought by others into the form desired for consumption. When this tendency had gone so far that the hogs of Iowa were shipped to Chicago to be butchered, and the hams, lard and bacon shipped back again to be consumed, the farmer was certainly no longer an independent industrial unit.

The illustration just used is not a good one, because in such a case the farmer might reassert his independence if he chose. Certainly no man who is the owner of fat porkers need starve because he has not a chance to send them to some great packing house. But in many cases the dependence is not only apparent, but real. No very considerable number of farmers have now any practicable method of supplying themselves—except through others—with clothing, shelter, fuel, adequate provisions, or the implements essential to the prosecution of their work. As soon as the dependence of a class becomes established there are never lacking those ready to take advantage of it; and a class, in order to

maintain its rights amidst the conflicts of the militant industries of the time, is driven to organization. Thus it was when the agricultural class found its special interests involved in the general war of interests. It was no longer possible to insist only on preserving the old, because the older state of things was irrecoverably gone; and thus this conservative body, from whose conservatism so much had been hoped, organized for aggressive warfare through the state upon the "vested rights" of those interested in railroads and other public highways. With the subject of the "Granger legislation" we have here nothing to do; but the order of the Patrons of Husbandry also endeavored to reconquer independence for its members, by giving to their control, through the means of coöperation, those industries upon which they were most immediately dependent.

The story hardly needs retelling of how sadly they underestimated the difficulties in their way. The simplicity of prospective coöperation is apt to be very seductive; and the grange leaders, through the press and from the platform, talked and explained till it looked like an easy thing to annihilate the despised "middle-man," both in buying and selling, and until it seemed a thing not very difficult for all farmers to "coöperate"—as they termed it—by withholding their produce, and so to "bull" the markets of the world. There were many who looked forward to a kind of grangers' millenium, when the farmers, instead of being fleeced by the other classes and robbed of their earnings, should manage everything and be contented and happy. But when they came down from the platform or out of the sanctum, and began the work of managing even a small coöpera-

tive store, the practical difficulties were found to be many. In the first place they were handicapped by their lack of familiarity with each other and with the methods necessary to enable them to work together—a deficiency bequeathed to them by some centuries of isolated independence. There was in the second place an almost total lack of the knowledge of business principles—as was indicated from the beginning by their inability to appreciate the real and indubitable services rendered by middlemen. Perhaps, also, one of the most mischievous characteristics of those who engaged in the early coöperative enterprises was an over-wrought idea of what coöperation could do for them; they expected too much, and quit trying when their expectations were not fulfilled. Back of this was also the thought in the mind of each individual that he could, if he chose, get along very well by the old plan of distribution, and if, at any time, it happened to seem to him the more convenient one, he abandoned the cooperative enterprise without regret. The farmers were too well off to feel obliged to make any sacrifices, and so they declined to make them.

But this position of the agricultural class, as the possessors of capital and credit, was also the source of a distinct advantage which they enjoyed over those of the day-laborers who have undertaken like enterprises. Any enterprise which they entered upon need not have lacked for capital. The fact that most of them did lack that very thing, proves only the latent distrust, and still powerful conservatism in matters pertaining to their own affairs, that controlled the actions even of those who seemed to be the most enthusiastic converts to the idea of coöper-

ation. In many cases the attempts at coöperative distribution went no farther than the clubbing of orders by the members of a local grange. This they would look upon as vastly profitable for a time, but after delays had occurred in sending the orders, and a few unsatisfactory consignments had been received, and more especially after they had found how much easier it was to "run up an account" at the ordinary store than to send the cash with each order, the plan of ordering through the grange was discontinued, and attempts at distributive coöperation in many communities went no farther. Even where a store was started, it was still easy to find fault with the stock, or to become dissatisfied with the management, or to be led away by the low prices of the shrewd dealers of the regular trade.

The various experiences of the different communities were so much alike that the general statement will answer for them all. Yet, as an example of the class, it will be best to take the experience of the state grange and of the local granges in some one state, and afterwards the special differences which may characterize the movement in other states can be stated briefly, and unnecessary repetition avoided. Even a statement of the amounts of money invested and lost or made in these enterprises would be curious rather than valuable, and not only would the existing materials for such a summary be very difficult of collation, but the materials for the completion of it are no longer in existence. As the state, the experience of which in the direction of grange coöperation will furnish the best point of departure for studying the whole movement, Ohio will be taken. The experiences of the farmers of this state

will serve our present purpose none the worse because they attempted much and achieved nothing. The pathology of coöperation may be studied with profit.

Ohio.

Business Agency.—In Ohio, as in most of the states, a Central Business Agency, or Supply House, was started under the patronage of the state grange. This was from the first under the management of W. H. Hill, who came to the work recommended by successful direction of the local Supply House at Lima. The capital was advanced by the state grange, and the credit of that body was used in the transaction of business, but the whole control of the affair was given to the manager. The main house was located at Cincinnati, and it was intended, besides selling to the various local grange stores already established, that branch houses should be maintained in different parts of the state that were to do the retail business. The plan followed was one much in favor with the grange during the seventies—that of dividing profits before they were made. The aim was to operate on a margin so small as to eliminate profit and let the consumer have the benefit of the reduced price. If any profit were by accident to accrue, it was to be turned into the treasury of the state grange.

By July, 1878, Hill declared that the enterprise was no longer an experiment, but had proven its right to exist and was a fixed part of the commercial organism of the state. The manager filled a column or more each week of the *National Grange Bulletin* with gossip about the agency, and the business, ac

cording to his accounts of it, had certainly grown—at least in the sense of having developed along many and divergent lines. Besides acting as purchasing agent for everything that a farmer could want—from threshing machines to molasses—Hill was also a receiver of everything a farmer had to sell, from live stock to grass seed. He became a sort of commercial prophet extraordinary and adviser plenipotentiary, and in his weekly contribution to the *Bulletin* made guesses at the tendencies of the wheat market, and told his readers who were the most reliable firms from whom they could obtain a library or a twenty-five-cent dinner. That a man could do so much gratuitous advertising wisely is not conceivable, and that the average man could do it honestly may be doubted.

But this jack of all business did not escape criticism, and though the volume of business seemed for a time to increase, yet there was growing dissatisfaction and anon charges of misdealings. The books were said to be open to the inspection of any one. At the end of each year Hill made a report, and after deducting his own salary and that of the clerks, a small balance, usually less than a hundred dollars, but running up to $143.82 in 1878, was turned into the treasury of the state grange. The business had at this time so extended itself that a branch house was established at Cleveland, under the management of E. F. Ensign. This branch house continued to do business on the same plan as the other until the collapse of both. The grange newspaper war about the state agency became bitter—Hill's antagonists charging him with dishonesty, and he replying with assertions that they were jealous of a deserving

institution, and wilfully withholding support that should be accorded it. Investigations were made which only furnished fresh material for disputes. Men wrote to ask "if one man could coöperate?" and notwithstanding Hill's books, which were said to show that he was handling goods on an average commission of from one to three per cent., the grange concluded that the business of the agency had better be closed out. Friends of the grange and of Hill are said to have paid considerable sums out of their own pockets to save either the order or the man from reproach; but these assertions are denied, nor does it matter much from our standpoint whether they are true or false. The "agency" may be taken as a good example of the sort of institution that was called, and believed to be, coöperative by the various granges of the different states. Whether the exact amount lost was $20,000, as many believed—secrecy having led to exaggeration—or whether it was very little or nothing at all, as others asserted, is only a question of degree. There was apparently nothing in the government of the agency that need have prevented it from losing that or any other amount.

CINCINNATI GRANGE SUPPLY HOUSE.—But the faith of those at the head of the Ohio State Grange in the value of coöperation was in no wise shaken. Even when the "agency" was obviously failing they were at work starting an enterprise which was to operate on strictly coöperative principles. While the agency was still in existence a man by the name of W. W. Miller had sent out circulars claiming to be operating a "Produce Department, Patrons of Husbandry," which was said to be conducted on "an

improved Rockdale plan." But in the autumn of 1880 a very different set of men took hold of the work of starting the Cincinnati Grange Supply House. The moving spirit was F. P. Wolcott, then, as now, editor of the *American Grange Bulletin.* He had been in Europe and studied the great distributive societies of England, and had been so convinced of the expediency and stability of such societies that he had bought stock in some of the English concerns, and was now ready to make other investments in like organizations in this country. A man was appointed by the state grange to solicit subscriptions of stock, and in September, 1880, there was a meeting of stockholders to take steps towards organization and incorporation.

The committee on Constitution and By-laws were instructed to prepare them as nearly in accordance with the Rochdale model as the laws of Ohio permitted. The Supply House, located at Cincinnati, was to be the central or wholesale house for the grange stores of Ohio, Indiana, Kentucky and West Virginia. The ultimate object was the establishment of a system of coöperative stores over all the middle west, which should be tributary to the one at Cincinnati, or to like houses in other large cities. It was at first suggested that of the nine directors of the company three should be chosen from Ohio, and two from each of the other states named above. But as West Virginia farmers did not feel sufficient interest to buy any stock at all, and as little was sold in any state but Ohio, the constitution finally provided that at least five of the directors should come from Ohio.

As the law best adapted to its purposes, the company organized under the general act for incorporating mutual insurance societies; but though this law may have been the best on the statute books, it was very ill-adapted, indeed, to the purposes in hand. In the first place it was found impossible to provide for voting on any other basis than that of the amount of stock held. Wolcott desired that the company begin business with the mutual understanding among the stockholders that each man should have but one vote, no matter how much stock he held. In other words, he appreciated the fundamental importance of this provision, and desired those holding more than a single share to voluntarily resign their legal rights till a better law could be enacted. But the sticklers for the exact conformity of all the methods of the company to the existing law overruled his wish to try the experiment of government by comity. Another conflict with the law under which they were to operate occurred when they made the provision that if any stockholder should sever his connection with the order of Patrons of Husbandry—no stock being issued except to members of the grange—he should be obliged to hand in his stock, and the company was then to pay him, within six months, the par value of the stock resigned. A similar provision for redemption of stock was made in the case of members in distress, or in case of the decease of a stockholder. The law in this instance undoubtedly did the company a service in forbidding such provisions, because they must have been suicidal. In case of assessments upon the stockholders to meet losses, or for other purposes, the stock would all have been returned, and creditors of the concern would have had no means of obtaining satisfaction.

The capital stock of the company was to amount to $50,000, divided into shares of five dollars each, and no person was to be allowed to hold more than one hundred shares. Two regular meetings of the company were to be held, one in January and one in July of each year, and the usual provisions for the usual officers were made. As farmers are producers as well as consumers, it was thought advisable to make provision for the doing of a commission business, indicating that the same tendency to consider all sorts of "business" a simple matter, and easy of management, had not been got rid of through the disastrous experiment with the agency. An invoice was to be taken twice a year, and, not willing to trust simply to the natural force of the English language, the help of the printer's italics was called in—the constitution setting forth that "in such invoice due allowance *must* be made for any shrinkage in value that may have occurred since the last invoice in merchandise, or other property of this association." The constitution was printed at the *Grange Bulletin* office, and it may be suspected that Editor Wolcott is responsible for the italic emphasis, which continues as follows:

"They (the directors) shall require *all the business* of this Association, buying and selling, to be done strictly on a *cash* basis, and under no circumstances permit a departure from this rule."

Abandoning the old plan of distributing at cost, the goods handled were to be sold at the regular market price, but no deviation was to be made in any case from the prices marked in favor of any purchaser whatever. Article XXIII related to division of profits, and was as follows:

"The net profits of this Association shall be determined by deducting from the apparent profits, as shown by the ledger accounts, the cost of management, which shall include the salaries of officers and all employés, storage, freight, and all other items of expense incurred in the management of the business, interest at the rate of six per cent. per annum on all paid-up stock, and the shrinkage in value as shown by invoice.

"The said net profits shall be divided among the *Patrons of Husbandry* who have purchased goods from the Association in the preceding half year, in proportion to the amounts purchased as shown by the ledger accounts; but patrons who are not members shall receive only one-half the proportion of those who are members of the Association."

In the first semi-annual statement, made out on the 5th of July, 1881, it was shown that there were 656 shareholders, who had subscribed for $10,950 of stock, and who had paid in $8,629. The merchandise, invoiced at $6,652, and the gains for the half year were put down at $1,013. At the end of the first year the net gains amounted to $1,328, which was all paid out either as interest on paid-up stock, or as dividends to purchasers. There was no provision for a reserve fund, and so no possibility of saving the company from borrowing or assessing the stockholders whenever reverses might come. In fact, during this first year $1,500 had been borrowed at six per cent. In spite of the emphatic italics used in printing the constitution, the exhibit of resources contained the startling item: "Sundry book accounts, $4,496;" and, besides the "borrowed money," the "goods on deposit to be paid for when sold," and the "undrawn salaries," there was also $778 of "other indebtedness." More than all this, there was included on the debit side of the loss and gain account the small but significant item of four dollars lost on debts. The salary for business manager was $2,000, and that for book-keeper was half

as much; but as time went on an inclination was manifested to get cheap work.

During the next six months an old bill for expenses of the man that had canvassed the state to sell the stock came in, and other evidences of slipshod accounts. But $2,174 worth of additional stock was paid for, the company sold merchandise to the amount of $97,132, and handled on commission enough more to bring the total up to $118,260, on which the gross profit was reckoned at $7,868, and the net profit at $2,156. This was divided among stockholders and patrons as before. But one of the most discouraging features about this third semi-annual report was the fact that it was presented at a regular meeting of the stockholders at which there was not a quorum present. As it only required twenty for a quorum, and as there were some seven hundred stockholders, the complete apathy with which the enterprise was regarded by all but a few may be inferred. This was the most successful six months' business in the history of the institution, and it seems entirely possible that if the stockholders, and even the directors themselves, had manifested the proper interest, and accorded the Supply House the support it should have had, that, even with all its organic defects, it might have been made a permanent success.

According to the statement for January, 1883, though the amount of paid-up stock had increased to nearly thirteen thousand dollars, yet the amount of indebtedness of various kinds had also increased, the value of the merchandise sold had shrunk to $[illegible], that of the commission business reached only $[illegible], and the net profits were $[illegible].

Among the resources the "book accounts" had reached the sum of $6,282—the italics to the contrary notwithstanding. The showing was not specially bad, at least as to the amount of profits figured out, but when we remember how easy it is for one to keep himself convinced in the early years of a business enterprise that he is getting rich, we may be inclined to wonder if the amount of the profits ought really to have been so large.

Whenever a man of moderate business capacity begins "to get involved," the chances are that he will conclude that the one thing needful is for him to extend his business. So as things began to get tangled in the affairs of the Cincinnati Grange Supply House, the men in charge decided that matters would be much helped by starting a branch establishment. In 1883 this company, that had to borrow money to carry on its own affairs, sent off about two thousand five hundred dollars of its much needed capital to start a branch house at Cleveland, which was credited with having earned during the six months a net profit of $43.94. The total net profit of the whole concern for the same time was only $448, which barely equaled the interest on paid-up stock. During the next half year the volume of business and the net profits increased somewhat, but the amount of "accounts outstanding" had now reached almost $9,000, though some of them had been settled by the acceptance of "bills receivable" to the amount of $1,100.

It was hinted above that this part of the monograph might be in some sort a study in the pathology of coöperation, yet it would be obviously useless to follow closely the operation of causes already dis-

cerned and specified. When I was in Cincinnati in June, 1886, the Grange Supply House, which it had been hoped would be the parent of coöperative enterprises over the whole West, was apparently in the last agonies of dissolution. In the hands of Receiver Harrison it was thought that everything would be speedily wound up; but these "artificial persons," or "legal entities," that we call corporations, sometimes find it hard to die. It has been so in this case. A letter bearing date October 25, 1886, contains the following:

"The Grange Supply House is still in course of liquidation. It is hoped that it will pay out with total loss of stock—but if lease of property is made valid, then they will settle by an assessment on the stockholders of at least twenty per cent. I seriously doubt any early efforts at coöperation among farmers. They have had quite enough for the present, and this generation will hardly forget the coöperative failures of the past fifteen years."

Such is the unwelcome conclusion arrived at by one of the earliest and wisest friends of coöperation among farmers. Before turning for a brief survey of analagous undertakings in other states, and before attempting to weigh the different conclusions drawn from the experience of the Patrons of Husbandry, it will be of use to glance at the minor coöperative enterprises undertaken by Ohio farmers; for in the lesser matters also their experience may be taken as typical.

OTHER GRANGE STORES.—During the halcyon days of the grange there was. at least for a short time, a grange store in nearly every county in Ohio, but so far as I have been able to learn not one of them is in existence; or, even if the store remains, all the coöperative features have long since disappeared. At Hillsboro' a local supply house was started and a

man chosen to manage it who had failed in his own business. To insure a sufficient degree of cheapness, the directors passed an iron rule that no goods whatever should be sold at more than ten per cent. profit. The merchants of the place combined and made prices very low on staple articles, and the grange establishment, being unable to make up in higher profits on other articles, was at a serious disadvantage. The stockholders themselves withdrew their patronage, yielding to the temptation of temporarily low prices elsewhere, and the coöperative store failed badly. At the close the stockholders endeavored to give their stock away to escape assessments, but could not do it.

The regular competitive stores in the various places were inclined to measure the danger to themselves by the aims and anticipations of the advocates of coöperation. As the latter declared their intention of annihilating middlemen, it is not strange that these were inclined to combine for the annihilation of coöperative enterprises. Thus at Lima the established merchants of the place made an arrangement among themselves by which one agreed to sell some staple article below cost, another another, and in this way they drew patronage from the grange house and caused its collapse. At Zanesville and at other places public spirited individuals paid out of their own pockets the losses incurred by these ill-starred coöperative affairs. At Dayton one of the grange stores held out longer than those in other parts of the state, but finally succumbed. Where there was no public spirit to break the severity of the downfall of these institutions, the results were even more disastrous. I was assured that there

were even yet as many as a hundred law-suits "dragging their slow length" through the courts of Highland county which had had their origin in coöperative enterprises.

As an example of the manner in which many of these stores retained the adjective "coöperative" in their title through the principle evaporated at an early day, we may say a word of the attempt at Geneva. Here it was found that if a good stock was not kept for patrons to select from they would trade elsewhere. The increase of stock necessitated an increase in capital and in clerk hire, and it was found that with these additional expenses goods from this store were not so very much cheaper than those purchased elsewhere. So the management passed into the hands of an ordinary joint stock company of limited membership.

COÖPERATIVE CREAMERIES.—The only noteworthy example of productive coöperation among farmers in Ohio is to be found in the creameries located in the principle grazing counties of the state. These are enterprises that have grown up without the help of lecturers, or newspaper editorials, or any of the noisy enginery of a state organization. They were started because it was believed they would be immediately profitable to those engaged; they were continued on a coöperative basis because that method of operation was in fact found to be profitable, and the element of coöperation is at present being pretty rapidly eliminated from their management because the resulting increment of profits, owing to the efforts of competitors and the general state of the market, is so small that many farmers short-

sightedly refuse to "bother" with them longer. The difference between a coöperative company and an ordinary joint stock concern is so indefinite under any existing laws that it is not possible to tell just how far the principle of coöperation still obtains in these enterprises. One gentleman, who is quite well acquainted with the circumstances, estimates that this form of coöperation must be the basis of twenty to forty per cent. of the farming in the counties of Geauga, Ashtabula, Portage and Summit. But, after as careful an investigation of the matter as the circumstances permit, I feel sure that this is an over estimate.

As best showing the history and extent of this form of industry, and as indicating the vibration between coöperative and the ordinary method of managing the factories, a sketch will be given of their history in Geauga county. All the materials for this statement were obtained through the kindness of J. O. Converse, editor of the Geauga *Republican*, and of William Howard, the county auditor.

In 1862 a Mr. Stanhope erected a cheese factory in Bainbridge, of sufficient capacity to manufacture into cheese the milk of one thousand cows. The proprietor engaged to furnish all the incidentals, manufacture the cheese, and care for the same until sold at a certain rate per hundred pounds. The patrons arranged for the delivery of the milk at the factory, and appointed each year a man to attend to the selling and to distribute the net proceeds of the sales in proportion to the amount of milk furnished. This method was pursued with entire success for some twelve years, and in some localities is still employed. It is said to bring to the dairymen greater returns

for the milk produced than any other plan. Before 1873 fifteen of these factories had been established in Geauga county at an aggregate expense of about $20,000, and with few exceptions these were managed according to the plan described above.

In 1874 the price of cheese had become so low that, as the owners of the factories refused to reduce the price per hundred, the dairymen in some localities formed joint-stock companies for the manufacture of cheese at prime cost, the members of the company being numerous enough to furnish all the milk for which the factory had capacity. After reckoning the interest on the first cost of the buildings required, the running expenses and the cost of repairing, it was found that cheese could be manufactured for ninety cents per hundred. To prevent any further action in this direction, the owners of the factories immediately engaged to bear all the incidental expenses, to do the work of manufacturing, and to care for the cheese until sold for one cent per pound. This to a large extent satisfied the dairymen until an attempt was made by the owners of factories to control the dairy interest by buying the milk delivered at the factory. This method has not given general satisfaction, because of a combination on the part of owners of factories to control prices. As a rule, dairymen are better satisfied to have the milk of their dairies made into cheese at a reasonable rate per hundred and sold at the market price. Mr. Howard reckons the profit on capital invested in cheese factories at fifty per cent., and says it would be yet larger, but that factory property depreciates in value very rapidly. Of course it is not possible that a regular profit so large as this could be surely earned,

although it is a business where the money investment is small as compared with the value of the annual product.

The factories that were erected on the joint-stock plan have usually been rented to reliable parties for a term of years. The lessee engages to manufacture the milk delivered at the factory each day at a certain rate, usually seventy-five cents per hundredweight of cheese. This method, the most decidedly coöperative in principle of any, has been found very satisfactory in many localities. The manufacturer gets fair pay for his work, and the dairymen get all for the milk that the market value of the product warrants.

The annual product of the cheese in most of the counties in Ohio, and notably in Geauga county, has been steadily decreasing since 1874. In that year the amount of the product was 5,227,702 pounds. In 1884 it was only 3,446,941 pounds, showing a net decrease of 1,780,761 pounds. This diminution is attributed for the most part to the extensive adulteration of dairy products which reduce the value of those that are genuine by partly satisfying the demand with an inferior article.

In Lake county the one cheese factory operates on the plan of paying the manufacturer by the hundred, and then dividing the proceeds among the dairymen. In Ashtabula county the dairy interest is quite large, and the coöperative principle obtains, to a very considerable extent, the method adopted being that of Lake county. In Cuyahoga county, a correspondent much interested in such matters, writes that coöperative creameries are in that county nearly a thing of the past. There is one coöperative cheese

factory near Chagrin Falls, which is thought to give its patrons slightly better results than the other establishments in the county where the milk is sold on delivery. The same correspondent, in speaking with regret of the decay of the coöperative element in the management of these concerns, lays special stress upon its educational value, though this form of coöperation may possibly be considered a very mild one. In the days when most of the creameries and cheese factories were coöperative, the weekly county paper found it profitable to take markets by telegraph on the day of going to press, while now the farmers are indifferent to the condition of the market, as they sell their milk on prices established about once a month. The very exaggeration of his phraseology may be taken as indicating the depth of his feeling on the subject when he says: "Selling milk dwarfs the intelligence of the farmer, while by the coöperative plan he is kept wide awake, watching the market and getting the best he can out of his milk." And his sweeping conclusion is that "the greatest difficulty in the way of coöperation is that farmers, as a class, are very dead to their own interests."

Taken all in all, we find that this form of coöperation among dairymen farmers in Northern Ohio is the most unostentatious and the most successful part of the movement for rural coöperation in that state. In fact it is the only example of success, and the only branch of business in which the farmers have tried to apply the principle, that the result has not been disastrous. Though even in this branch of industry the coöperative element is now in abeyance, yet it is demonstrated that this form of organization

may be an efficient weapon in the hands of the farmers whenever the owners of factories become oppressive in their exactions. The reasons for the success achieved are not far to seek. The capital necessary is not large in proportion to the value of the annual product, the details of the business of manufacturing are simple and can be safely intrusted to a salaried superintendent or one who receives so much per pound for the article manufactured, the product is a staple for the selling of which no advertising is necessary, and from beginning to end no secresy is required.

Other States.

Indiana.—In Indiana much the same line of action was taken as in Ohio. During the time of the grange's greatest prosperity a state grange agency was established, which for a while did a large and apparently profitable business. In 1876 the transactions of this concern amounted to nearly one thousand dollars per day. But the agency was badly managed, a large stock of unsaleable articles accumulated in the hands of the agent, irresponsible parties were trusted, and there was great shrinkage in values. As a result of these perfectly adequate causes the agency became bankrupt and the State Grange of Indiana lost some six thousand dollars through the failure. After this collapse the farmers of Indiana have dealt to a certain extent with large wholesale houses, mainly in other states, clubbing their orders and dividing the merchandise at actual cost. But out of the many local coöperative stores that began business in Indiana some still survive, of which the most successful and the most noted is the

Huntington Coöperative Association. This is one of some half dozen grange stores, out of all the swarm that came into existence in the middle West, which have been conspicuously successful.

The enterprise was begun seven years ago, and has from first to last operated upon the Rochdale plan, as far as the laws of Indiana permit. Net profits are divided among purchasers, the stockholder receiving twice as much in proportion to purchases as non-stockholders. The association began business with a capital of only $500, which has since increased to $20,000. The annual transactions of the concern average about $65,000. In 1883 it handled over $100,000 of goods and paid a quarterly rebate on purchase-checks of fourteen per cent. to stockholders and seven per cent. to non-shareholding patrons. Somewhat higher rebates have at times been paid. Within the last two years the association has sold almost as many goods as in 1883, but has been compelled to handle them on such close margins that the rebates have been comparatively small. The success of this undertaking may be due in part to the fact that it was started on right principles at a time when those interested had before them a large assortment of failures to serve as warnings. Besides this the community were permanently interested in the enterprise, understood it, thought about it, worked for it and patronized it. Those in charge foresee nothing but success, and believe that with proper management a coöperative distributive enterprise rightly started need not fail.

In the state of Indiana the grangers made some attempts to organize coöperative companies for the manufacture of farm implements, but these, without exception, resulted disastrously.

MICHIGAN.—Three successful or semi-successful stores are left over from the wreck of high hopes and ambitious undertakings in Michigan. The most prosperous of these is the coöperative association of the Patrons of Husbandry of Allegan county, that "deals in everything except intoxicating drinks." Shares are ten dollars each. The first share owned gives holder right to one vote, and he has but one additional vote for each fifty shares that he may pay for thereafter. Number of shares not limited, but no one at present holds more than fifty. Capital paid in $25,650, number of shareholders 525. Goods sold at cost and four per cent. added to the bill. Five per cent. interest is paid on stock. Manager is responsible for all credit given. Annual sales for the last two years have been $161,000.

The Battle Creek Coöperative Association of the Patrons of Husbandry and Sovereigns of Industry is also prosperous. The capital is $6,000, held by one hundred and seventy-five stockholders. Shares are $10 each, no one person to hold more than forty shares, and no shareholder to have more than one vote. Goods are sold to all customers at current rates, and profits divided among stockholders.

The Lansing Coöperative Association of the order of the Patrons of Husbandry was very successful until the last year or so, when the store was rather over-stocked, and goods have so depreciated as to reduce profits. W. J. Beale, professor of botany and forestry in the Agricultural College of Michigan, has been a prominent member of this Association, and it is through his kindness that I have obtained most of the facts regarding grange coöperation in this state. The association began some twelve years

ago, with a capital of $800; it has now a paid-up capital of $18,000. Shares are $10 each—no one allowed to hold more than fifty—and votes are in proportion to stock held. At one time the sales averaged $170 per day, but are now not more than fifty. The association owns a three-story building, the third floor of which is rented to the local grange.

ILLINOIS.—In this state there were at one time coöperative stores in fully half the counties. As a rule each one was prosperous for a time, but failed, as a correspondent writes, "from lack of mercantile ability on the part of farmers elected as boards of directors and managing salesmen." In Stephenson county, for example, where $20,000 worth of stock was subscribed, and something over $15,000 was paid in, the company began on a cash basis and declared two fine dividends, but the regular trade put rates down very low, and there was not sufficient business skill in the company to stand the close competition. Had the four hundred and twenty-five stockholders stood loyally by their store, that patronage alone would have sustained it. As it was the stock was a dead loss, and the building went to satisfy a mortgage. It can hardly be doubted that if the laws had permitted the formation of a true coöperative company, where each member had one vote, and no more, that the shareholders would have better maintained their interest in the concern—would have understood its affairs sufficiently to see at what rates merchandise of standard quality must, as a rule, be handled; and would have been wise enough to see that it was to their interest to stand by the coöperative store.

For some ten years there has been established at Chicago an unambitious but useful business agency of the State Grange. The agent—at present Mr. Joseph Chambers—is elected by the State Grange, and receives a salary for the work done. No capital is invested in the business. Any local grange, or any granger known to the agency, may order any sort of merchandise through Mr. Chambers, who merely sends the orders on to wholesale houses that fill them at the regular rates, the grange receiving a small commission, and becoming responsible on the one hand to the purchaser for a good quality of goods and proper rates, and on the other hand to the wholesale dealer for prompt payment in cases where cash does not accompany the order. Farm products may also be consigned to the agency, and sold for customary commissions. The amount of goods handled in this way is very considerable, but the business, as conducted, does not take all the time of even one man. There are some complaints regarding the management of the agency, but what foundation they may have it is not easy to determine.

In Missouri there seems to have been no features worthy of special notice regarding rural coöperation.

KANSAS.—Here we find examples of unusual and apparently permanent success. The Johnston County Coöperative Association, that is doing a successful business at Olathe, is the oldest and most successful of these. Its present manager is H. C. Livermore. The prime mover in the enterprise, and the president of the association for nearly ten years, was the Hon. W. H. Toothaker, the Master of the Kansas State

Grange, and a man of national reputation in grange work.[1] The Rochdale plan was adopted in its purity, and the association began business in July, 1876. The following table gives a summary of the business done during the first ten years, or until July, 1886:

Year.	Annual Sales.	Capital.	Annual Profits.
1	$41,598 86	$848 99	$1,500 29
2	69,177 32	3,816 60	2,149 69
3	92,808 85	5,971 20	4,846 84
4	158,421 54	7,540 90	10,775 54
5	189,175 84	10,343 67	11,402 60
6	243,100 88	17,673 78	14,887 85
7	266,070 15	33,685 00	18,006 21
8	269,099 52	36,879 87	15,305 12
9	252,995 78	38,576 33	13,683 21
10	210,588 79	40,916 83	104,038 41
Totals	$1,793,037 53	$196,253 17	$196,595 76

Besides the profits a reserve fund has also been set aside for building purposes, with which a three story iron and brick building, 130 x 128 feet, has been erected—the third floor being used for the grange meetings and as an audience hall. The building is supplied with steam heaters, an elevator, etc., and was erected at a cost of $75,000. "Prospects are very bright."

The Patrons' Coöperative Bank, of the same place, was undertaken with the same men for leaders as the store. It was organized June 7th, 1883. The capital is $75,000, in $100 shares, no man to hold more than ten, and each shareholder to have but one vote. "It was established," says Mr. Toothaker,

[1] Most of the facts obtained concerning coöperation in Kansas were gathered and systematized for me by Mr. Toothaker, to whose helpful courtesy I am much indebted.

"principally as a means of protecting the people from losses as depositors"—many disastrous failures of banks having occurred. The present stockholders number about two hundred—farmers with visible property worth from ten to one hundred thousand dollars, and as all their personal property is, by the law of the state, to serve as security, there seems small chance for loss on the part of depositors. "The bank has paid the stockholders a semi-annual dividend of ten per cent."[1] The yearly deposits amount to $1,000,000 and the exchange to over $500,000.

"There are some twenty or thirty smaller coöperative stores in the state, which need not be described in detail. Eight or ten years ago one was started at Manhattan, Kansas, with a capital of $65. It has steadily grown, until it now owns a fine three-story brick building, and has a cash capital of between ten and fifteen thousand dollars." There are also noticeable successful stores at Constant, Cowley county; McLooth, Jefferson county; also, at Cadmus, Oakwood, Mound City and Spring Hill. The enterprise at Constant, known as the South Bend Coöperative Association, was begun in 1879, and has followed the Rochdale model. Since 1881 the dividends and interest on stock have been paid in stock certificates instead of cash. There are now fifty-eight shareholders, owning 508 shares. Mr. E. T. Green, of Constant, sends me all the essential facts regarding this undertaking, but too late for more extended notice. During the year and a-half ending September 30, 1886, the Spring Hill Coöperative Association did a business amounting to $31,928.

[1] I am not sure whether Mr. Toothaker really meant a twenty per cent. annual dividend or not.

One rational and successful enterprise to copy from is worth more to a state than any number of orations, and this Kansas had at Olathe, thanks to Mr. Toothaker and others.

NEBRASKA.—This is the last state the experience of which in this matter it will be desirable to mention. The only peculiar interest centers about some agricultural implement works. In 1872 the state was comparatively new, and comparatively far from the places where any desirable farm machinery was then manufactured. Many local granges clubbed their orders for different kinds of implements, and though in many cases the result was satisfactory, yet in many mere cheapness was secured at the expense of quality. The very cheap machinery was very poor. A style of harvesting machine, known as the Header, was then much used over all the newer west, and continued popular for several years, till supplanted, together with its old-fashioned competitors, by the modern self-binder. These machines were large, ungainly contrivances, cutting a swath ten feet wide, and propelled by four horses that walked abreast behind the machine. The point of interest for our present purposes is that few heavy or complicated castings were necessary in their construction, and there were few parts, except the sickle knives, that required great skill for their manufacture, and these could be easily purchased in quantity. The standard Headers were selling at this time for from $225 to $300. In February of 1872 the State Grange appointed an agent to see what could be done towards the manufacturing of Headers in Nebraska. After some delay, arrange-

ments were completed with parties in Fremont which warranted the erection of the necessary foundries and shops, and Headers were furnished the State Grange at a net cost of $150. They were sold to farmers at that price, cash on delivery, and no loss resulted. As a consequence the price of all sorts of harvest machinery was reduced over the whole state,—railroads gave better rates on machinery of eastern manufacture, and everything seemed to indicate that the grange had made a wise move. But a parallel attempt was made at Plattsmouth in the manufacture of corn cultivators, and in this case about twice as many were manufactured as could be sold, and there resulted a net loss of some $5,000 to the grange. This, through mismanagement, was connected with the Fremont enterprise, and a fine lot of law-suits was the result, in the progress of which some of the grange officials and agents suffered severe and unmerited personal loss. These disasters, together with a severe attack of politics, killed the grange in Nebraska, nor had it, until recently, shown any indication of resurrection.

Causes of Failure.

The causes of the approximate failure of coöperation among farmers in the district under consideration have necessarily been outlined, or at least suggested, in the foregoing historical sketch. They may be summarized under the following heads:

1. Some of the coöperative enterprises have deservedly failed, because, even with proper management, they could not pay. In other words, there are conditions under which the coöperative is demon-

strably inferior to the distinctively competitive organization for the attainment of given objects. One simple example may be given of an industry that has so changed that coöperation, once possible and advisable, is now inadvisable, though still possible. When threshing machines first came into use they were small affairs, usually run by one or two horses in a tread-mill horse-power. Small as they were, each machine could do much more than thresh the crop of an average farmer, and so it was usual for several farmers to combine, buy a machine, thresh their own crops, do, perhaps, some work for their neighbors, and divide the profits. As the machines were improved and enlarged, it became more and more difficult for an ordinary farmer to operate one to advantage. The value of special skill and aptitude for the business of "running a thresher" increased as the business became more technical, for each mistake delayed or wasted the labor of an increasing number of men and teams. Nor did farmers find it profitable to buy machines and hire experienced men to run them, for the chances of wasting time and effort were so numerous that experience proved that only one having personal interest in the result could be relied upon to do the best possible work. With the advent of the present steam thresher, having a thirty-six inch cylinder and a daily capacity that would formerly have been considered fabulous, the change is complete, and threshing is almost universally done by men who charge a given rate per bushel, which rate is fixed by the law of supply and demand. Farmers are still at liberty to combine, buy machinery and do their own threshing, but they would infallibly lose money by doing so. Where

farms are small much the same development has taken place regarding harvesting machinery; those who have not enough grain to keep a machine busy during the season usually find it more profitable to hire their grain cut by the acre than to own part of a machine.

Referring to the failures we have described, we may then properly ask the question whether or not a given enterprise failed because as an industrial undertaking it was inherently unwise. As to the attempts to manufacture farm machinery I think this may be said: farmers, as such, cannot produce or cause to be produced, machinery as reliable and cheap as that sent out from the works managed by expert machinists, whose success depends entirely upon their "keeping up with the times" in a business where the times are very hard to keep up with, and on their winning a reputation for reliable products. As a capitalist, the farmer may invest money in a corporation carrying on the business of manufacturing farm machinery, but that is not a business well adapted to the form of organization where each shareholder is expected to know all about the business, and share in its management. It may be well enough for farmers to start such enterprises as a ready means of bringing manufacturers to just terms; indeed, it seems that, viewed in this light, the disastrous enterprises begun in Nebraska were worth far more to the farmers of the state than they cost. But until the coöperation of the farmers has achieved vastly greater results in more simple kinds of business than any yet attained, the manufacture of farm machinery as a permanent undertaking may be safely let alone.

We must come to a wholly different conclusion regarding the coöperative creameries and cheese factories described in the account given of coöperation among Ohio farmers. Reflection indicates and practice shows that this is a branch of industry well adapted to coöperative management, and if the cooperative element is being gradually eliminated it may very well be claimed by the friends of the movement that it is because farmers are not sufficiently alive to their own interests—in short, because they are making a mistake. As to distributive business, it is also demonstrated that many branches of it can be successfully carried on by coöperative companies, and we must look for the reasons for the many failures in some of the less fundamental causes that follow.

2. One of the most useless causes of the failure of coöperative companies, and a potent one, has been the lack of proper legislation, making impossible the incorporation of true coöperative companies. The example of the Cincinnati Grange Supply House is an instance in point. The fact that large stockholders could control the concern made it completely useless for holders of fewer shares to attend the meetings. Seldom more than thirty out of seven hundred could be got together, and the rest could have hardly other feelings towards the concern than towards any rival establishment, which would not have been the case had they understood all its workings as coöperators should. Other causes kept them away also, but this fact was very important, and the further countenancing of the introduction of the method of voting by proxy gave a chance for "scheming," and the management of the company by a few.

Of course, the mere matter of voting is not the only one which needs a change in the laws to secure the best results, and in some of the states it is allowable to give to each member an equal voice in the management of affairs. But nothing definite was done in any of the states to make adequate legislative provision for coöperative companies, though with the English and eastern models, and a little common sense, it ought not to have been hard to draft such a law; and an organization strong enough to pass what is called the "granger legislation" regarding corporations already established, might surely have had it enacted. In 1884 a bill passed the Ohio legislature providing for coöperative associations, but it consists merely of the title and a considerable mass of legal verbiage. There is in it absolutely nothing of value for the purpose in hand, except the provision that such associations shall have the right to divide profits among patrons in proportion to purchases, and this right was granted, or could be derived from previous acts under which the so-called coöperative associations had been operating. Proper legislation is a condition of success easily complied with, and should not be neglected by those who are so enthusiastic in the cause of coöperation at present.

3. A third cause of failure may be stated as the inadaptation of rural life and character to the coöperative method of managing business. This was alluded to in the beginning of this chapter, and has been exemplified in instances already given. We may include under this head individual isolation, lack of business experience, and the fact that farmers are in a position to take, if they choose, the most

agreeable and pleasant way, even though it be not in the end the most profitable. Mr. Chambers, of the Illinois Grange Business Agency, says that farmers are too rich to succeed in coöperation. Even where there may be a certain amount of profit in such enterprises, there is no pressing necessity to urge or compel them to take advantage of it. They are in a position to gratify their whims as to where and what they buy, and do so even at some cost to their own final interests. As the first cause of failure given in this summary is one seldom advanced by coöperators or ex-coöperators, so on the other hand the one at present under consideration is oftenest given in reply to inquiries as to the causes of failure. The inability of those concerned to break away from the habits acquired in the transaction of ordinary business, and their willingness to be led astray by specious advertisements and the seductions of the temporarily low prices of "cut-throat competitors," have been very fruitful causes of disaster. It will be said, perhaps, that short-sightedness is the cause of nearly all human failures of whatever class, but still it is especially fatal in coöperative enterprises. Those who engage in such undertakings are often called upon to forego immediate in order to secure prospective gains; to pay always a fair price in order that they may avoid the necessity of ever paying more than is fair, and to pay cash at each transaction in order that they need never be compelled to pay a share of some less responsible person's unsettled accounts. A short-sighted, impatient person will not persevere in the doing of these things, and a coöperative company made up of any considerable number of such persons will be sure to fail.

Yet, while short-sightedness and the isolated lives of farmers are causes of failure in coöperative undertakings, these very features of rural life should serve as additional incentives to repeated and earnest efforts to achieve success. If the individuals of a given class are isolated, so much the more do they need something that will bring them together and teach them to understand each other, so that at need they may be able to work together for a common end; if they are deficient in their knowledge of affairs outside their own peculiar branch of industry then it will be to their advantage to acquire such knowledge, even if they have to pay pretty liberally for the experience through which alone it is to be obtained.

4. Of an exactly opposite nature to the foregoing is the influence of the general indebtedness of the farming class. Though well enough off to feel very independent, they are often so much in debt as to be not really so. This has been an insidious but potent cause of failure in many rural enterprises.

5. We may place next in the enumeration of the causes of failure the peculiarly intense hostility of the regular tradesmen. This hostility was more general and vindictive than would have been felt towards the same number of ordinary enterprises, because the coöperators themselves hastened to declare a war of extermination upon "middle-men," and so the latter necessarily entered upon the struggle as upon a struggle for existence. The inexperience of the coöperators then made them an easy prey to their more skilful adversaries.

6. Lastly, there were a great many local causes of failure. Special quarrels and jealousies already ex-

isting or soon developed, or other adventitious difficulties, brought shipwreck to many of the enterprises.

Residual Benefits.

It may be thought that we are very near the end of the discussion of coöperation among farmers when we have reached the point where it is proper to begin the enumeration of the benefits resulting from the attempts. Though it is indeed true that this branch of the subject need not detain us long, yet it is true, not so much because the benefits were few or small as because they were of a sort not susceptible of definite statement and enumeration. An approximate estimate of them might include the following items:

1. The educational benefits resulting to the individual coöperators may first be noticed. The most important of these is not the slight acquaintance gained by some with business forms and methods, but rather the intimate knowledge that individuals gained of their own incapacities and of those of their fellows. Upon Greek authority, man has been declared to be a "political being," but the facts are found to show that human beings do not attain by intuition a perfect knowledge of the "art of living together," nor has it been found—despite the high hopes of prominent educators—that the spelling-book contains even the key to all the information necessary to the development of a good citizen. Practice in working with his fellows is the most useful training a citizen can have, and this the attempts at cooperation afforded. The earlier grangers were told, and believed, that it would be a simple matter for

them to manage all the industrial machinery by which they were in anywise affected. They made numerous experiments to test the feasibility of the thing, and have been more modest and more sensible ever since. They will hereafter understand better the power and the real value of the industrial organization of the present, and they will better understand themselves. Though they may attempt less, they will achieve more.

2. We have already noticed in certain cases the good effects resulting from attempted coöperation through the medium of lower rates forced upon the regular dealers. Coöperative enterprises served as an efficient means of pricking the bubble of high prices produced by monopoly, or really superfluous middle-men. There can be no doubt that all the losses of all the failures of this sort must have been trivial indeed, when compared to the great gains resulting to the farming community at large from these great and long-continued reductions in price. The strictly competitive system might be expected to perform all such services for itself, but in practice it is found that some force extraneous to that system is of use in accomplishing such results.

3. The habit of going to first sources for supplies has resulted in a permanent pruning of the powers of local dealers. Through the old "business agencies," relations were established with wholesale houses which still continue, even where the agencies have ceased to exist. "Shopping by mail" was greatly helped towards its present importance by the grange movement, and is still carried on in many cases through the means of the order. Though not organically connected with any grange, yet it was

through the patronage of grangers, and often through the formal endorsement of state and local granges, that firms like Montgomery, Ward & Co., of Chicago, built up a business of this sort in general merchandise that extends over all the Western states. Large firms in Philadelphia also sell by the same means considerable quantities of goods in Ohio and other states of this section.

4. A certain amount of absolute success has been achieved, and the possibility of achieving success under right laws, and with good management, has been demonstrated.

Thus, though the proportion of failures to successes has been greater in this section than in any other, yet the careful study of the facts need not discourage us. "Even our failures are a prophecy."

II.

COÖPERATION AMONG WAGE-EARNERS.

Until quite recently there were no very considerable bodies of wage-earners brought together by western industries. At Cincinnati, Chicago and St. Louis great industries were coming into existence, but only within the last two decades have the workers in these industries, or in those of the still younger centers of trade, been moulded into very definite classes. The portion of the population that owned no real estate was scattered and migratory. Migratory the individuals may still be, but their movements are from one aggregate of similar units to another of like nature. In the earlier days there was always, at no great distance from the location of any industry, a large supply of non-rent bearing land, which was so because of its situation, but which was none the less fertile and capable of returning a rich harvest of "values in use" to any man willing to cultivate it. As the different tracts of land were rendered tributary to the great markets, the returns of "values in exchange" for the labor expended on them were large; so the *entrepreneur* had to compete with the landlord for laborers, and Cobden's formula for high wages—"two bosses after one man"—was applicable. Under such favorable conditions the average human being, though of course not contented, is yet very liable to be acquiescent, and not to make any serious efforts to alter radically the existing order of things, or even to search anxiously for new palliative remedies of the

evils he may happen to complain of. In a comparatively new country organized coöperation is usually more difficult and less needed than in older districts.

So, as was said at the beginning of this monograph, coöperation among wage-earners in what may here be termed the middle west, is as yet almost wholly tentative. He who writes of it must, for the most part, be content to describe hopes and to sketch possibilities. His work, at best, must be somewhat like that of a reporter for a sporting paper on the day before a race: he can state the rules, speak of the condition of the track, mention certain would-be competitors that have been ruled out, describe the favorites, and make as many guesses as his information or self-confidence may warrant.

Attitude of Laborers Towards Coöperation.

In estimating the general possibilities of the success of coöperative enterprises as such, the first factor we will consider is the way in which such enterprises are regarded by the laborers themselves. It is believed, and speaking generally it is true, that the enthusiasm of the laboring men for coöperation surpasses that of the early grangers; the need of the wage-earners is greater, and their aims are more radical. "Down with the strike (assistance) fund and up with the coöperative fund," says the Chicago *Knights of Labor*, and wants the order to raise $6,000,000 for the advancement of the "cause." This enthusiasm is so vociferous and so much talked about, that here it need not be further insisted on; there is, however, an under-current of opposition, which, though not specially important in itself, needs noticing because it is usually ignored. This

opposition is that of certain laborers—or, perhaps, some would think it more accurate to say of certain labor leaders—to what they call individual or competitive coöperation; that is to the formation of individual coöperative companies that seek to fit themselves into the ordinary competitive organization of industry. The radical wing of the Socialists is an existing force that should be reckoned with. Their present opposition to attempts at partial coöperation are various, and some of them troublesome. When the Denver *Labor Enquirer*, the official organ of the "Red Internationals," declares against profit-sharing, it does so on purely theoretical grounds. But a most conspicuous example of practical opposition is to be found in the action of the International Working People's Association in Chicago, relative to the proposed coöperative company formed by the packing-house strikers, and designed to operate a large establishment of its own. A meeting, called by the radical Socialists, met at No. 71 West Lake street, on November 28th, 1886. As the discussion that there took place throws a good deal of light upon the external and internal difficulties attending an effort for coöperation it will be given at some length, and especial attention paid to the speech of T. J. Morgan, the most prominent opponent of "individual coöperation." This account is taken mainly from the report published in the Chicago Daily *Tribune* of the 29th. The "labor press" absolutely refuses to believe anything to be true if there is no better authority in support of it than the assertion of the "capitalistic press." Some of the labor papers were especially bitter about this same report, yet, from what I can learn, it is substantially correct.

Morgan had called for an investigation into the conduct of those who were soliciting stock for the new enterprise, and claimed that there were charges of dishonesty to be looked into. He was severely criticised for this by some of his fellows, and the charge was made that his party were opposing the enterprise because they wished for no amelioration of the workingman's condition, thinking that such a palliative remedy would only delay the time of his final emancipation. Morgan replied with the taunt that if the scheme was a good one, an investigation ought to promote rather than hinder its success. He then continued:

"The Socialists are charged with preaching coöperation to the working people, and now that they are about to put it in operation they say the Socialists are deriding it and putting obstacles in the way. I deny that the Socialists have ever preached individual coöperation. We are in favor of universal coöperation, which means the destruction of the present competitive system.

"To illustrate the development of the monopolistic system: When Chicago had 100,000 inhabitants and a few hundred thousand more tributary to it, there were nine wholesale dry goods houses here. Then a man learning the business might one day have some hope of becoming a merchant himself. Now, with a population of nearly a million, and other millions tributary, instead of an increase over the nine there is a reduction to four, and two of these could combine any day and crush out the other two—giving themselves a complete monopoly of the business. What hope to a man learning the business now of ever himself becoming a merchant? So it is in other branches, both of distribution and of production. The Standard Oil Company, the Anthracite Coal pool, and the Gould and Vanderbilt systems of railways are striking and familiar examples of this development, while the Western Union Telegraph Company is an example of monopolistic development ready to become socialistic.

"The business of pork packing has developed far into the monopolistic state, and these are the reasons that this coöperative scheme will fail: supposing the money to be subscribed, the buildings erected, the difficulties of securing managers of wide experience and honesty among the members in the management over-

come, and everything in readiness to buy hogs and turn them into pork. Armour will know about when his time will be, and shortly beforehand will, if he thinks his interest demands it, raise the price of hogs fourteen or fifteen cents above the normal price. The coöperative company must buy, because it cannot let its capital lie idle. The agents of the coöperative company buy, and the hogs are turned into pork. By that time Armour has depressed the price of pork fourteen or fifteen cents a hundred below the normal price. The company must sell in order to get money, but a short series of such experiences bankrupts the company. But there are other dangers. The operatives will own the stock and elect the directors, who appoint managers, foremen and superintendents. But the operatives are men who all their lives have been under bosses. The feeling that they are now the bosses will cause insubordination—which foremen, superintendents and directors will fear to suppress, because they thereby endanger their positions. But suppose all these dangers safely passed, and the scheme a success, it only benefits those in the scheme—makes them contented and conservative, and loath to lend a sympathetic ear to the wrongs of workingmen not in the scheme, and does nothing to elevate the great mass of workingmen."

In the same debate August Kempfe expressed it as his opinion that coöperation could not succeed till the educational benefits to be obtained through the eight-hour system had been realized. Several of the speakers said vindictively that coöperative institutions became aristocratic institutions and monopolies, and, to support this, gave a number of instances where similar schemes had succeeded and their stockholders became rich and "would not speak to workingmen." Schilling said in reply to the point that only picked men enter upon and succeed in coöperative enterprises; that he considered such a fact a serious evil. It inflicts incalculable injuries upon those that are left by taking from them the men who have energy and brains, and who become dissatisfied with their conditions and companions if success crowns their projects.

One of the speakers urged that in spite of Armour's power there were plenty of small packers making money now against his competition. One firm had told him that during the recent strike they lost about $3,000 per week, and as they only killed 500 or 600 hogs per day, he thought that if the privilege of running was worth that much to them there would be something for the coöperative establishment to do. Granville Sawyer was the only pronounced and uncompromising advocate of the scheme, as most of its defenders, in so far as they were Socialists at all, had not thought it best to discuss the question of its advisability with its opponents, and had stayed away from the meeting. Sawyer said that coöperation was not new or untried. Hundreds of thousands of coöperative enterprises had succeeded. He failed to see where the Socialists were logical. They wanted state socialism, but were absolutely opposed to co-operation by a small party. He claimed that if they were to do anything, some one must take the initiative. The day when profits were to be done away with was in the far distant future, and in a practical world one ought to be practical. If the effort to rise above the dictation of a few capitalists by a few workingmen were to be so bitterly opposed, he could not see how state socialism was to be brought about; and if the confidence among the Socialists towards each other was so small, he asked how they were to trust each other in the state. He most emphatically believed in the weeding out of the shiftless and the gathering of a picked body of men in carrying on the project. The idea was not to make an asylum for the shiftless and the weak; if that idea had been adopted, its failure was assured from the start.

Morgan, in closing the debate, ridiculed the idea of working people's saving money, because it enabled manufacturers to say: "You can live on less than you do." He also opposed distributive coöperation, because if the cost of living was reduced, wages would go down with it. As for the success of coöperation at other points, he believed that if all the facts were known it would be found that special conditions prevailed there, and that these exceptions proved the general rule that coöperation could not exist and become general in the atmosphere of competition. Again referring to the Rochdale plan of coöperation, Morgan said he was opposed to it because through it the people did not learn their rights and opportunities. They became contented in their selfishness. No one ever heard of the Rochdale coöperators acting as a political factor, or of their sending out socialistic or rationalistic pamphlets. He would take part in nothing that stood in the way of the acceptance of whole truths, and of the control of industry passing into the hands of the people to whom it belonged. It is said that universal coöperation is a long ways off, but on the contrary it is right here. He believed that the means of transportation were soon to be in the hands of the government, as the mail, the water supply, and the fire system are now. Then every man, woman and child in the United States will be a stockholder. "You say you can't wait for it," he concluded, "but I will tell you, you have got to wait for it. Your duty until that time comes is to get all the money you can for your labor, and when you can save money from your small earnings pay it into an agitation like this."

In so far as the attempt to start a coöperative packing house had any practical results, they will be described later. In this place the above extract of this debate is given to show that there are exceptions to the very general enthusiasm of laboring men for coöperation, and that in Chicago, which has the reputation of being one of the most dangerous centers of agitation in the country, the feeling is especially strong. More than this, it seems to me that anyone who has much of the faculty for appreciating the position and the thoughts of others may see how such arguments as those used by Morgan might appear very plausible to one in the position of a day laborer in a great city. On one hand we have so eminent an economist as Francis Walker expressing grave doubts as to the possibility of any great extension of coöperative organization, especially in the direction of production; and on the other hand we have the ultra socialists declaring that it cannot succeed, and that any partial success will only postpone the day of industrial regeneration. Nor is all the distrust of coöperation among wage-workers to be found in the ranks of the Socialists. The *Union Printer*, in an article afterwards copied by the *Knights of Labor*,[1] treats of the question in this way:

"The beaten path for writers on coöperation is to give the history of the Rochdale (England) pioneers, and follow it up with the history of the coöperative stores in Great Britain, and then to assert that there is no reason why our American wage-workers should not pursue the same course. But a single instance in which a writer here has studied out a plan for coöperation in his own trade, and submits it to his readers, is worth more in practice than this well-

[1] Issue of January 22d, 1887. The *Knights of Labor* is itself a most ardent advocate of immediate coöperative organization in individual companies.

worn chapter on coöperation in England. The conditions in America now are not similar to those in England at the time when the coöperative stores obtained a hold there.[1] * * * The fact is that in nearly every branch of trade the American consumer is next to the monopolistic manufacturer, the retail dealer being an agent, rather than a dealer. The beer brewers of New York, for example, practically own most of the beer saloons in New York, and the retailer of beer is often more of a wage-worker for a brewer than an independent dealer. The score of New York dry goods stores, whose advertisements fill up the pages of our Sunday papers, cheapen goods, as do the coöperative stores in England, by cutting off the profit of the small middle man. They are next to the manufacturers. A coöperative store on Twenty-third street was unable to compete with them. They centralize an immense volume of business, and their rent and pay-roll are very low in proportion. * * * Now let it be understood that we are not writing down coöperation. Well-defined plans are wanted, and not forecasts of the millenium. Our comments are directed chiefly towards the labor press writers on the subject. Let them be cautious in giving an impetus to the labor movement in the wrong direction."

No one can doubt the need of such a warning who has looked through the great mass of self-complacent theorizing indulged in by writers for the labor press. But, aside from the theorists who hinder by opposing and the theorists who cripple by trying unwisely to aid the movement for coöperation, the fact remains that the great majority of organized laborers in this section of the country believe in coöperation, and are making very practical and very vigorous efforts to help forward "the cause." One of the largest appropriations made by the General Assembly of the Knights of Labor, at its last meeting, was for the purpose of furthering practical coöperation, and with the help of the hard sense and great experience which some of the leaders possess, we may hope that definite results of some sort may ere long be reached.

[1] Professor J. B. Clark, in his recent work The Philosophy of Wealth, insists upon this same point, p. 193.

In their declaration of principles the Knights of Labor declare that their ultimate object is to introduce a "coöperative industrial system," which undoubtedly many of them expect to become universal without great delay. But their leaders are too shrewd, and have learned too much by their experience of the last few years, to expect very startling results in the immediate future. "We cannot make men," says Powderly, sadly; "we must take them as we find them"; and one of the most difficult features of the work of the leaders has been to get the men to come down to practical plans and begin where there is a possibility of beginning. We shall find later that the leaders themselves reached their present wise position only by the discipline of their common sense "in the severe school of adversity." But the lesson has been pretty effectually learned. The coöperative board of the order is at present composed of the following persons: L. C. T. Schleber, Lynn, Mass.; J. P. McGaughey, Minneapolis, Minn.; John Samuel, St. Louis, Mo.; J. M. Broughton, Raleigh, N. C.; Hugh Cameron, Lawrence, Kan., and Henry Mente, Ithaca, N. Y. All the men are connected with practical coöperative undertakings and have had personal experience that should enable them to act wisely in expending the money placed at their disposal by the order.

McGaughey, the secretary of the board, has had a chance to observe all the operations of the successful coöperative coopers, described by Dr. Shaw in his monograph on "Coöperation in a Western City," and the study of the self-helping efforts of these men has begot in him a rather lively impatience with the frequent calls for assistance made by

various local assemblies. A published letter of his says that the coöperative board desire to learn of all coöperative efforts, and especially to receive copies of their by-laws and constitutions, but that the board does *not* want any more applications for aid from coöperative enterprises. "This thing of expecting help in starting a carp-pond, a dairy or a machine shop is a great mistake." Then going on in an exclamatory and despairing mood, he cries: "Give us a rest in the name of brotherhood and human charity! If your plans are feasible the best place to look for help must be near home." Mr. Samuel, another member of the board, trying to meet the demand for definite plans of coöperation fitted to existing circumstances, prepared a pamphlet of twenty pages on "How to Organize Coöperative Societies." This pamphlet gives the fundamental maxims that have been followed by nearly all successful coöperators—a model for the constitution and by-laws of a coöperative society, and a few pages of reasons why a laboring man should become a coöperator. The price of this little work is only five cents, and though it was published in 1886, it has circulated widely among the Knights, and has already exerted considerable influence in shaping the policy of the various new societies springing up in various parts of the country.

Before taking up the individual enterprises, one more characteristic of the attitude of certain laborers should be pointed out. The feeling alluded to is that of dread of the present competitive organization as of something tangible and objective, which is able to seize and injure them. Of course, this feeling is not wide-spread, but that it should exist

at all in this country will be a matter of surprise to some. It is almost exactly analagous to the fear which an oppressed citizen might have of a tyrannical government. I know of coöperative stores, the managers of which keep everything as secret as possible, and where the deliberations of the stockholders are carried on with many of the precautions that conspirators, planning the assassination of a tyrant, might employ. In Michigan there is a small coöperative store, the very existence of which is kept secret, and I was confidentially informed of its whereabouts only on condition that none of the facts concerning it should be made public. The K. of L. Coöperative Association, No. 1, of which mention will be made further on, although the members were very friendly when I visited them, declined to give any complete statement of its operations for fear competitors might, in consequence, obtain certain additional advantages over them.

At the close of his pamphlet on "How to Organize Coöperative Societies," Mr. Samuel gives five reasons for being a coöperator, and the last of these affords as good a summary as we need seek of the way in which this subject is regarded by the great majority of workingmen, who both think and hope. The essential parts of the passage referred to are these:

"Coöperation is the only way that I see by which the workers in this land, or any other, can raise their position to what it ought to be and might be. Hundreds and thousands of persons have "got on," as it's called, by getting on the backs of the workers. They have rolled up capital out of profits on their work and their trade. Now, cannot the workers get themselves, as a body, "on" to a higher standing ground? Cannot they roll up capital out of their own purchases and their own work to lift themselves up, one and all? I believe they can. But how? By union among them-

selves for this great end—the greatest end, I think, that men have ever knowingly worked for. Now, where does the road to this end begin? Where else but in the store—which can give them capital out of their own income; which gives them business habits; which enables them to combine their power by great commercial institutions, such as the coöperative wholesale societies; and active centers for propaganda, conferences, congresses, central and sectional boards, at once creating strength and showing them how to use it to best advantage and for the noblest purposes."

Integral Coöperation.

Those who have become acquainted with any considerable number of attempts at coöperation must have felt at times that Wolsey's injunction, "I charge thee, fling away ambition," is of special applicability to coöperators. "The great fault with too many coöperators," said Powderly in 1885, "is that they advocate the establishment of coöperative institutions on too large a scale." It often happens that the most pretentious enterprises are the most utter failures. The reason is, of course, obvious: Those who have not the faculty of apprehending both the powers and the limitations of themselves and of their fellows will be at once the boldest in planning and the most incompetent in practice. The Knights of Labor announce that they are working towards universal coöperation, but this is said by men who (most of them) realize keenly how distant is the goal that they are striving towards. Yet there are others, within and without the order, that refuse to see the difficulties, and who insist on believing in an imminent millenium.

The most radical of those who have practically attempted to realize such ideals believe in "integral coöperation." The end sought through this form of organization is really a state of pure socialism, with

socialized capital and reward proportioned to services. In other portions of the country, particularly on the Pacific slope, very ambitious attempts are now being made to establish such communities, but in the middle West nothing more than one recent experiment has been undertaken. The object was the establishment of a community where all the trades should be represented, and by an exchange of products make the members independent of all outsiders—a social integer. The enterprise mentioned was organized by Henry E. Sharpe in January of 1880, and was called the York Society of Integral Coöperators. I have obtained no detailed account of the society during the period immediately following its origin, but in 1882 there were about sixty members, some of whom were already located on a farm of one thousand acres near Eglinton, in the southwestern part of Missouri.

The object of those interested was declared to be "to form an absolutely independent community, not communistic, but with the motto: 'Equal opportunity, but reward proportioned to deed.'" Capital was borrowed upon which a fixed interest was paid, but the intention was that all capital should ultimately be socialized. The members of the colony entered Local Assembly 2776 of the Knights of Labor, and Sharpe, the originator and propagandist of the enterprise, was made chairman of the coöperative board of the order. In this capacity he travelled about lecturing on coöperation for the edification of the Knights and others interested. After picturing, in the way that was then becoming, and has since become so common, the existing miseries of the "wage slave," his first point was to show

that under the present organization of industry no betterment was possible. He followed this alleged demonstration by the dogmatic assertion that co-operation, as tried in England, had failed, and that the various schemes of industrial partnership had failed. He next claimed that productive coöperation would not make its way unaided, nor competitive distributive coöperation. The one solution of the problem was the union of these two, or integral coöperation. "Do not produce to sell; do not buy to consume. Be independent of capital, independent of markets and of the price of labor. Work for yourselves."

But though the Knights were anxious to undertake coöperative enterprises, and though their chairman of the coöperative board was very sure he knew the proper method of going about the work, yet he was not destined to be the Moses that was to lead them out of the Egypt of wage bondage. For while, by means of his lectures in the large cities, he was in some measure carrying the war into the enemy's country, the model colony at Eglinton was in revolt behind him. The local to which he belonged preferred charges of dishonesty against him to the General Executive Board of the order. He was busy lecturing, and paid no attention to them; so, in default of any answer, was condemned and discharged from his place, and from the order. Then, repenting of his negligence, he asked for a new trial, which was finally granted. The Executive Board went to Eglinton, and found the "Society" a wreck. There were only two families and two other persons there, and they distrusted Sharpe and each other. Sharpe was acquitted of the charge

dishonesty, but was not again placed upon the coöperative board.

In the final report to the General Assembly, the following causes were assigned for the failure: (1) City people cannot succeed in agriculture at once; (2) Want of individual incentive to exertion; (3) Want of means to discipline or to expel refractory members; (4) No way of restraining members in case of a panic; (5) The smallness of the scale on which the experiment was tried. The same circumstance also made it impossible to give opportunity for the development of individual capacity. The Executive Board formulated in their report the more obvious of the lessons which the Eglinton experiment seemed to teach: "(1) Men cannot change at once from the condition of wage-service to the higher level of co-operation. Man for a long time yet must have before his mind the fear of being stricken from the pay-roll. (2) Individual incentives to exertion must be provided. (3) Executive officers must have power to discipline, subject always to appeal. (4) Executive officers must have ample authority to select the men best adapted to the work in hand." This pre-eminently sensible report was submitted to the General Assembly of the Knights of Labor at its meeting in 1884. The lessons then learned the managers of the order seem not to have forgotten, for this was the last time that they officially countenanced any scheme for immediate integral coöperation. Thenceforth they lent the whole force of their influence to more modest but more feasible plans.

Yet many individuals in the order have looked in the same direction for the coming of industrial salvation. A friend in Cincinnati has sent me a copy of

a book published at St. Louis by the author, and designed to circulate chiefly among the Knights of Labor. On the upper cover are stamped the words: "The Key of Industrial Coöperative Government, by Pruning Knife." On the other cover is a picture which represents a hand throwing open the portals of "Equity," through which may be seen a very small lamb resting lovingly by the side of a very large and very benignant lion. The book is written in doggerel poetry, interspersed with that style of composition which is said to possess neither rhyme nor reason, and is illustrated from drawings by the author himself. The excuse for speaking of such a work here is that it is in some sort typical of the ways of thinking of many who are entering upon, or inducing others to enter upon coöperative enterprises. However much we may smile at the book issued by this combined artist, poet, political economist and publisher, we still cannot escape the conviction that —to adapt one of his own contorted sentences—he is one "who aspires the truth to broadcast shower."

The geographers have left small space upon this "freckled globe" for the locating of Utopias, so Pruning Knife locates the perfect "industrial coöperative government" on the planet Venus, to which he is transported by means of a dream and a fairy and other conventional appliances for taking impossible journeys. As an all-sufficient example of his economic, poetic and grammatical attainments, one verse may be given of his description of the ideal industrial organization:

> "In lieu of greedy profit made by us,
> Industrial bureaus on each other draw
> For all the products without least of fuss;
> With great dispatch, a system without flaw."

Among such all-hopeful coöperators as the author of this book there is a general opinion that money is the root of all industrial as well as all moral evil. Some of the "coöperative exchanges," as for instance the Woman's Coöperative Exchange, of Denver, have for their ultimate object the abolition of any medium of exchange whatever. In an article describing this concern, the Denver *Labor Enquirer* uses the head-line, "A little establishment where the rotten dollar cuts no figure in business transactions." Many of the letters I have received from coöperators speak of any increased facilities for exchange without the use of money as a distinct advance. Many of them say emphatically that in their opinion money is nothing but a device invented by certain shrewd and wicked persons to rob the masses. Nor are many of the more practical coöperators wholly without hopes of obtaining some of the ends at which the integral coöperators aimed. Even Mr. John Samuel, whose pamphlet was mentioned above, sketches the ultimate aims of coöperators as including a system that corresponds to Sharp's integral coöperation. Section two of the model constitution for a coöperative society, drawn up by him, is as follows:

"The object of this society is to elevate the intellectual, moral and financial condition of its members, through coöperative effort, and in accordance with the following plans and arangements:[1]

1. "The establishment of a store to conduct the business of general dealers, wholesale and retail, in food, clothing and other commodities; and to manufacture the same whenever practicable, or when necessary for the employment of such members as may be suffering from an undue reduction of wages.

2. "The buying and holding of land, and the erection of buildings thereon for the use of the society.

3. "To elevate the domestic condition of its members by buying or building suitable homes for such as may need.

[1] How to Org. Coöp. So., p. 6.

4. "The purchase or rental of lands or landed estates, to be cultivated by members who are out of employment, or who may suffer from poor wages.

5. "And to proceed, as soon as practicable, to the establishment of a self-supporting home colony, or to assist other societies in establishing such colonies, wherein may be exemplified in a practical way the coöperative idea of production, distribution, education and government."

Distributive Enterprises.[1]

Of the distributive enterprises managed distinctively by wage-workers I know of none established earlier than 1881. A vast swarm of them are at present coming into existence, or trying to. Of the whole number, I have obtained more or less definite information regarding something over thirty. As many of their brief histories, in so far as they have histories, are of small value, I prefer to speak at length of but four of them, and pass by the others with nothing more than possible mention.

The statement was made by a labor paper some time ago that eighteen coöperative stores had been

[1]Prof. Clark says that "only by a strange perversity of nomenclature" can this form of coöperation be called distributive. "It is productive in as complete a sense as the spinning of wool or the raising of sheep. * * The process is complex, and, in reality, is only *quasi* coöperative. It may, perhaps, be termed mixed cooperation, since the essential peculiarity of it is that men who are employés in one industry become proprietors in another." (Ph. of W., pp. 191-2.) In the sense in which Prof. Clark uses distribution, as an economic term, his exception is well taken, but the word leads to less practical ambiquity than the one he would substitute for it, nor does the word he suggests seem more logical than the other. It does not affect the nature of an enterprise that those engaged in it are engaged in another capacity in other enterprises; its character would be the same whether those connected with it were, in other branches of industry, all employés, or all capitalists. "Consumptive coöperation" is another name that has been used lately to describe the work of these "consumers' unions," but the usual term will be employed in this paper.

started in Ohio under the enabling act, passed in 1884 and previously referred to in this monograph. I have no evidence of the truth of the statement as it stands, nor, on the other hand, does it seem at all improbable that so many enterprises have been begun, or at least planned—which for journalistic purposes would be sufficiently near the truth. But aside from such errors of omission as may result from lack of information regarding such incipient enterprises—a lack which is, after all, of little consequence—it may very well be that some of the most important undertakings have been missed. As previously said, the more modest enterprises are more likely to be the successful ones, and are apt to be lost sight of even by one who understands the necessity of looking for them. So far as I am aware, no one has made any systematic attempt to describe coöperation in the district under consideration, or in any part of it, and an effort to cover so large a field in a pioneer study must necessarily result in omissions. None of the bureaus of labor statistics have discussed the subject, or have discussed it only to republish abstracts of what had already appeared in the Massachusetts reports regarding European and Eastern coöperation. A page or two in the Report of the Missouri Bureau of Labor Statistics for 1885, describing one enterprise in a general way, is all that is to be found in this class of publications.[1]

[1] Since the above is in type I have received proof-sheets of pp. 454–63 of the forthcoming report of the Illinois Bureau of Statistics of Labor. In these pages an enumeration of all the coöperative enterprises in that state is made, with a brief description of the more important. The information there contained does not necessitate the making of any changes in the text, but only this modification of what was said regarding sources.

COÖPERATIVE ASSOCIATION No. 1.—The chief interest in connection with this enterprise is to be found in the methods used for getting it into existence. The following circular was issued early in January in 1886:

"*Coöperative Fair; Fannie Allyn, L. A.* 4457, *Cincinnati, Ohio.*

"Believing that our only salvation lies in coöperation, and that being one of the leading principles of our noble order, we therefore, having full confidence in each other, make a bold attempt in forming a coöperative concern.

"L. A. 4457 has announced that a fair is to be held at K. of L. Hall, southeast corner of Abigail and Main streets, for said purpose, commencing March 21st, ending March 28th.

"We would like all coöperative concerns to correspond with us, and give statements of articles manufactured and prices therefor. We will be thankful for any information of the above description, as we are anxious to exhibit all K. of L. goods manufactured or made by members of the order.

"We have enclosed tickets for various articles to be raffled for at said fair, and we hope the Assembly will use its influence in the disposal of the same.

"All articles raffled off will be made public through the *Journal* and the labor papers of the country.

"All remittances to be made by March 15th.

C. FANNIE ALLYN,
GEO. C. KUECHLER,
MISS MARY HEALY,
Fair Committee."

The originators of the scheme had attempted a more modest beginning which had proved too slow to satisfy their ideas of what ought to be achieved. Trevellick, in a lecture delivered in Cincinnati, had explained how easily a coöperative enterprise could be started, by showing that a group of persons might buy a box of soap, divide it among themselves at retail rates, and leave the profits in the hands of a treasurer to start a coöperative fund. Some of the Knights tried this plan, but only developed the

rather suggestive fact that at that time the retail dealers were "cutting rates" on soap, and that, therefore, there was no profit at all connected with the handling of it. Some experiments in other sorts of merchandise resulted a little better—half the profits only being left in the treasury. But this amount, and that arising from monthly dues, was comparatively insignificant, and so the fair was undertaken.

The moving spirit was George C. Kuechler, a young man of twenty-one, a shoe-cutter by trade, and one having plenty of time to attend to the matter, because out of work. It was thought by some that he had been "victimized," that is found it hard to get work because he had made himself too prominent in forwarding the work of organizing the Knights of Labor. Of the eighteen members of the assembly twelve were ladies. Two of the men had been interested in coöperative enterprises before—one under the Sovereigns of Industry, and the other in one of the great societies of Manchester, England.

Copies of the circular were sent all over the country, and extended notices of the fair appeared in many of the labor papers in distant places. It was the first enterprise of the kind in America, and much was hoped from it. Nearly all the coöperative concerns of the country sent exhibits, and the friends of the order were liberal in their donations of things to serve as prizes in the raffle. The Dueber Watch Case Company, which had just come to terms with the Knights, and been released from a long and quite effective boycott, was especially liberal. In a "business circular," issued after the close of the fair, the managers returned thanks for the effective support

accorded them, and so did what they could to extend a knowledge of the enterprises represented. Among the most prominent of the exhibitors were the following, most of which are still thriving and prosperous enterprises: The Richmond Coöperative Commercial and Manufacturing Soap Company, of Richmond, Va.; the Ohio Valley Coöperative Pottery Company, of Tiltonville, Ohio; the Quaker City Cooperative Carpet Company, of Philadelphia, Pa.; the Canmakers' Mutual Protective Association, of Baltimore, Md.; the Coöperative Morocco Manufacturing Company, of Philadelphia, Pa.; the Kentucky Railroad Coöperative Tobacco Company (now the Knights of Labor Coöperative Association), of Covington, Ky.; the National K. of L. Coöperative Smoking Tobacco Company, of Raleigh, N. C.; the Coöperative Corn-cob Pipe and Novelty Works, of St. Charles, Mo.; the Coöperative Hat Company, of South Norwalk, Conn.; and of the coöperative cooper shops of Minneapolis, the Phœnix, Northwestern, North Star, Hennepin and Minneapolis sent exhibits. The barrels sent by these companies were made of select staves and hoops, elaborately painted and varnished, and the Pillsbury Milling Company had filled them gratis with "Pillsbury's Best."

Various "attractions," besides the exhibits, drew crowds to the fair; many neighboring assemblies of the knights came in a body, and the whole affair went off like an enterprise that had been energetically and successfully "boomed." The exhibition lasted eight days, beginning and ending on Sunday. This fact of Sabbath-breaking, together with the principle means of making money—that of raffling off prizes—may lead some to think that there was

rather an unpromising set of managers for the control of any enterprise that was to be permanent. They, however, deserve credit for resisting one temptation. Nothing would have been more profitable for them in the way of immediate money profits than the sale of liquor. They refrained, because the K. of L. admits no saloon-keeper to membership, and they thought it would not be right for them to act as sellers of liquor even for a short time. Besides the raffling, there were all sorts of catch-penny affairs that have been so long acclimated in church "fairs" and "sociables," that one might almost suppose the odor of sanctity so acquired would in a great measure make up for the methods of operation that are more usually discountenanced. The result of the fair was to put the coöperative enterprise on a sound financial basis, and to give coöperators in different parts of the country a better appreciation of each other's work. It shows the feasibility of such exhibitions with our present facilities for inter-communication, and affords an earnest of the value that might be derived from them. Their value would, of course, be increased if they were managed not by one concern primarily for its own profit, but by a committee of the exhibitors, or by some central organization. A directory of coöperative concerns, which has been advocated in the General Assembly of Knights, would then be not difficult to make.

After the fair the Fannie Allyn Coöperative Association changed its name to the K. of L. Coöperative Association No. 1, of Cincinnati, and on the first of May business was regularly begun. The change of name and of organization had been made so that members of other assemblies could join the coöpera-

tive company. The company was not incorporated, the business being done in the name of George Gassman, who was the treasurer. Kuechler wrote at the time they were organizing that they proposed to run entirely on "common sense principles," and certainly they could have found few models in the business world for such an organization as was formed. The company more resembles a secret society than a business corporation. With each proposition for membership the applicant pays in fifty cents. He must be of good—which means, as usual, satisfactory—moral character, and is elected by secret ballot. The full initiation fee is placed at fifteen dollars, of which the first fifty cents is considered a part. On election, and the payment of this first half-dollar, the member becomes entitled to all dividends, but none of them are given him until the initiation fee is paid in full. He may either pay it at once or allow the accumulation of dividends to his credit to equal the amount. Dues to the amount of fifteen cents per month are exacted from each member, which are reckoned in with the profits, and will come back as dividends on purchases. Goods are sold at regular rates and all profits divided after provision is made for the reserve fund. The initiation fee of fifteen dollars per member is never returned, and memberships are not transferable. In case of the dissolution of the association this money, which is called "permanent capital," is to be handed over, not to the members, but to the General Assembly of the Knights of Labor. On beginning regular business they were able, from the accumulated dues, initiation fees and proceeds of the fair, to buy a stock of goods worth $504, and had a "reserve fund" of over $150.

The association rented two rooms at the rear of 555 Main street, and as one of them was used by a K. of L. assembly, the rent which the store had to bear was only $3.50 per month, The business hours were from 7 to 10 P. M., and as the managers consented to serve without pay for the first quarter, and be in the store during the evening in turn, there were almost no expenses at all. How such a strangely constructed, non-legal association could live for any length of time, and especially how it could outlive a quarrel among the members seems strange, yet the K. of L. Coöperative Association No. 1 contrived to do both these things. Kuechler is no longer connected with it, but its affairs seem to prosper. Business increased rapidly, and a dividend of thirteen per cent. on purchase was declared at the end of the first quarter. A lady was employed to attend to business during the day, and a letter bearing date the 13th of last January informs me that the establishment has removed to a three-story building at 62 Thirteenth street. I am not certain whether or not radical changes have been made in the plan of organization, but a quarrel with the District Assembly has compelled them to drop the letters "K. of L." from their title.

National Coöperative Guild.—This is another rather anomalous enterprise that has sprung up in Cincinnati, under the management of Mr. Kuechler, who was concerned with the fair and with the Association No. 1. It might as well be classed with the productive enterprises, for it is a wholesale house, having for its chief object the finding of a market for goods produced by coöperative companies. To

reproduce the preamble to the constitution *verbatim et literatim* will indicate with sufficient clearness the character of the enterprise:

"It is deemed advisable to establish a coöperative distributing association, based upon a plan as indicated in the following pages; which it will be seen differs somewhat from the prevailing European wholesale distributive stores, as depicted in the Statistics of Labor Bureau, 1886.

"The various existing wholesale stores in Europe seem to be the outgrowth of numerous coöperative retail stores; and are a creation of the several retail stores.

"There being no such stores established in our vicinity, we are necessitated to adopt a system suitable to the individual stores as they are; at least for the present.

"However, we favor the establishment of coöperative retail stores as opportunity in time will admit. Our most useful coöperative work in its commencement perhaps will be to secure an extended market for the great number of productive coöperatives as they are looming up promiscuously, by purchasing from them, and pushing their various commodities into the consumers market, thus securing a demand and market for the same which otherwise they may never find."

The capital is very small, but the association does a sort of commission business for some ten coöperative enterprises.

That a wholesale house can profitably handle miscellaneous merchandise is of course improbable. Because a certain brand of cigars, a particular kind of baking powder and a given sort of brooms, or soap, or cooking stoves, have all been produced in establishments having certain coöperative features in their management seems to be no excuse for lumping them together in the store-room of a single wholesale dealer. One of the most difficult problems for some of the coöperative companies has been found to be the securing of a market. In a business requiring as much shrewd advertising as the sale of manufactured tobacco this

is especially true, but it does not seem that the proper method has been found in this "distributing association." The producing companies will find it easier to force their way by the regular means into the ordinary avenues of trade than by dealing with such a gratuitous "middleman" as this company. Kuechler is himself a good salesman for some sorts of trade, and it is only through his energetic efforts as a sort of travelling man for the various concerns whose goods the Guild is handling that anything at all has been accomplished.

THE STREATOR COÖPERATIVE SOCIETY.—Thus far in this chapter we have had to do almost exclusively with what might be called the curiosities of coöperation. Such extended notice of the unusual, and perhaps not very hopeful undertakings is justifiable, if not for other reasons, at least on the ground that it gives us an explanation of what have seemed to many gratuitous failures, because it enables us to realize the limitations and mental incapacities of the would-be coöperators. From this on we will have to do with more ordinary and more successful enterprises.

The Streator Coöperative Supply Store has been in operation but little over a year, yet has met with such immediate and pronounced success as to have attracted the attention of the wage-earners in many parts of the West. Accounts of it have appeared in many of the labor papers, and the company has been flooded with requests for copies of the constitution. The president of the company and the person to whom it owes its origin is Mr. John H. Shay, state lecturer of the Knights of Labor for the department of Illinois, and chairman of the State

Coöperative board. The store is the outcome of a series of meetings held in the public park of Streator on the Sabbath day under the auspices of the Knights, and addressed by Shay and others, "on the subjects of organization, education, coöperation, industrial partnership, and the ballot." It originated among wage-workers, and the stock is owned by that class, but much of it is held by persons who are not members of the Knights of Labor, nor has any attempt been made to prevent other classes from purchasing stock. Every effort has been made not to antagonize other dealers, and so favorably is the enterprise regarded by those merchants who do not come in competition with the store, that when the by-laws and constitution were published a few extra pages were filled with advertisements, and these more than paid for the cost of printing the whole.

The capital stock of the company is five thousand dollars, in shares of ten dollars each. No person is allowed to hold more than five shares, "and it shall be the duty of the board of directors, as rapidly as may be practicable, to assign the shares in excess of one, which any member may hold, to those who may afterwards apply for membership." Persons wishing to join must have their names proposed by some member of the company and pay a membership fee of twenty-five cents. The name, address and occupation of the applicant must be posted in a conspicuous place in the store for at least one week, after which he is admitted, if approved by the board of directors. Shares may be paid for in monthly instalments of one dollar each, the holder being entitled to dividends after the payment of the first dollar. Six per cent. is paid on the capital invested, if the profits

of the business warrant that rate. After making provision for payment of interest, twenty per cent. of the remaining net profits is set aside for the reserve fund, and the remainder is divided among shareholders in proportion to purchases. Non-shareholding patrons receive no dividends, as it is thought that with such a rule the competing stores can have less cause for complaint. The management is in the hands of a board of nine directors that elect the officers. Any one of the directors can be removed by the society at a regular semi-annual meeting. The two auditors, who are chosen to make the semi-annual statement of condition, must on no account be either members of the society or persons in its employ. The business motto of the concern is "cash, current rates and dividends," but credit is allowed for thirty days, in cases of emergency, to three-fifths the value of a member's paid-up stock. No amendment to the constitution shall ever be entertained to allow a member more than one vote, "except in the election of directors, when the vote shall conform to the laws of the state." "We employ," says Shay, "eight clerks in the store and two teamsters to deliver goods, and have lately put in a patent cash-carrier. The store is located in the heart of a thriving town of fifteen thousand inhabitants, and is in no more danger of failure than the ocean is of going dry, and we are as certain to have dividends as people are to eat, wear clothes and use tools."

THE LARAMIE COÖPERATIVE ASSOCIATION AND OTHERS.—This association, located at Laramie, Wyoming, is also of importance as having been the model for a goodly number of similar enterprises. Judged by the rules that have been found wisest for such under-

takings in other places, its constitution and by-laws contain several regulations that seem injudicious; but a prosperous career of over five years, the present flourishing condition of the company, and the fact that it is becoming more thoroughly coöperative as it gets older, remind us that we must not jump at conclusions.

The company was incorporated December 21st, 1881. The capital was limited to $30,000 by the articles of incorporation in shares of $5 each; stock is not assessable. There were nine shareholders, who subscribed for 115 shares of stock, 20 shares being the most that was held by any one person, and 5 shares the least. No limit was fixed for the amount of stock which one man could own, but each member is allowed but one vote, no matter how much capital he may have invested, and no proxies are allowed. Credit is allowed with a thirty days' limit, and "no member indebted to the association two days previous to any meeting shall be entitled to vote." "Profits shall be divided as follows: (1) After deducting all expenses, interest, at the rate of 12 per cent., shall be paid on share capital. (2) Members shall receive the full dividend on cash purchases—one-half the dividend to members taking not more than thirty days' credit for their purchases, and one-half the dividend to known non-members on their cash purchases." Just what this section provides I am unable to decide. Practically, it has made but little difference as no dividends have been declared at all, but the surplus above the 12 per cent. interest has been allowed to accumulate as a reserve fund, which now amounts to more than $10,000. Beginning with December 1st, 1886, the company

propose to declare dividends "in order to stop the continual increase in the value of shares." Twelve per cent. seems like a very high rate of interest to Eastern men, but probably at the time the store was started very little money could have been obtained even at that rate in Laramie, nor is it very much above the rates now demanded there.

The number of shareholders has increased to 114, holding $7,820 worth of stock. No more shares are to be issued after December 31st, 1887, and it is thought that all, or nearly all of the thirty thousand dollars will be subscribed before that time. H. Breitenstein, who was for two years the president of the company, and is now the business manager, says he thinks one of the greatest aids to the successful operation of such an enterprise is simple but acurate book-keeping and clear statements of the condition of the business, by the auditors. The seventh semi-annual statement is as follows:

Goods to the amount of	$18,073 91
Fixed Stock to the amount of	959 90
Real Estate to the amount of	11,700 00
Open Accounts to the amount of	10,868 13
Notes in our favor to the amount of	2,558 50
Money in safe Dec. 1 to the amount of	166 50
Total Assets	$44,326 94
Amount of Capital Stock taken to date	$ 7,820 00
The Corporation is worth to day, independently of all debts and capital stock	10,131 09
Total worth of Association	$17,951 09

This instance of success at the far west shows that even in a new country coöperation may be employed to advantage, for where rates of interest and wages are high, profits are also high. The influence of the example of the Laramie Coöperative Association can

be directly traced in the establishment of some half-dozen enterprises of a similar nature, all at the West. Two of these are in Wyoming, one at Evanston and another at Carbon; one at Eagle Rock, Idaho; another at Denver, Colorado; and two in Kansas, one at Ellis, the other at Leavenworth; still another is talked of at Green River, Wyoming. All of these enterprises were began during 1885 or 1886.

The Colorado Coöperative Mercantile Association of Denver has been most immediately successful. It was incorporated in December, 1885. Stock is not assessable, and is limited to $25,000, in ten-dollar shares. Stock to the value of $2,500 is now held by 122 shareholders. After the payment of all expenses paid-up capital is allowed five per cent., and the remainder of the profits are divided among purchasers, shareholders being allowed twice as much in proportion to the amount of their trade as others. At the end of the first quarter a dividend was declared of four per cent. on the purchases of members and of two per cent. on the purchases of outsiders. Each customer is provided with a card, whereon the amount of his purchases can be rapidly set down by means of punch-marks. Three men attend to the business of the store, which is growing rapidly. The chief supporters of the enterprise are railroad employés. The president, Mr. Thomas Neasham, writes that the most serious thing the company has to contend with is the habit the laborers and mechanics have of "trading on the thirty-day system with pass-books."

When the store at Laramie began operations the regular merchants were confident that it would fail in at most six months. In some places the

merchants have given very efficient aid to help the new enterprise to die. One labor paper tells of a place where two coöperative stores were undertaken, that were "boycotted" and killed by the older merchants. At the same time there were two "pluck me" stores in the same town, at which certain classes of men had to trade, whether they wanted to or not. Against these the "regular merchants" declared no boycott.

Productive Coöperation.

The laboring classes of this country have been quick to see the limitations of distributive coöperation, and to a hitherto unprecedented extent are turning their energies to the more difficult task of coöperative production. In over twenty industries attempts are now being made to introduce this form of organization. The list given below will best serve to indicate the industrial and geographical distribution of these enterprises:

1. Coöperative Baking Powder Co., Elkhart, Ind.
2. Coöperative Box Factory, Cincinnati, Ohio.
3. National K. of L. Coöperative Broom Co., Cincinnati, Ohio.
4. Carpentering:
   - *a*. Carpenters' Coöperative Association, Decatur, Ill.
   - *b*. Coöperative Sash and Blind Factory, Rushville, Ind.
5. Clothing Factories:
   - *a*. Our Girls' Coöperative Clothing Manufacturing Co., 158 N. Market Street, Chicago, Ill.
   - *b*. Manufacturing Tailoring Co., of Chicago, Ill.
   - *c*. Martha Washington Coöperative Overall and Knit Work Association, Indianapolis, Ind.
6. Coopers' Coöperative Association, Detroit, Mich.
7. Expressmen, Detroit, Mich.
8. Foundrymen's Coöperative Manufacturing Co., Chicago., Ill.

9. Furniture Workers:
   - *a.* Coöperative Reed Chair Factory, Michigan City, Ind.
   - *b.* Mechanics' Furniture Association, St. Louis, Mo.
   - *c.* Central Furniture Co., St. Louis, Mo.
   - *d.* Furniture Workers' Association, St. Louis, Mo.
   - *e.* Coöperative Furniture Co., Cincinnati, Ohio.
10. Coöperative Match Factory, Indianapolis, Ind.

11. Mining:
   - *a.* Coöperative Coal Co., Bloomington, Ill.
   - *b.* Coöperative Mining Co., Fairbury, Ill.
   - *c.* Coöperative Coal Co., Peoria, Ill.
   - *d.* Union Mining Co., Cannelburg, Ind.
   - *e.* Coöperative Mining Co., Fontanet, Ind.
   - *f.* Coöperative Mining Co., Huntsville, Mo.
   - *g.* Summit Coöperative Coal and Mining Co., Macon, Mo.

12. Nail Mills:
   - *a.* Steubenville, Ohio.
   - *b.* Iron and Steel Nail Works, Belleville, Ill.
   - *c.* Wellston, Ohio.
13. Coöperative Packing and Provision Co., Chicago, Ill.
14. Coöperative Corn-Cob Pipe Co., St. Charles, Mo.

15. Planing Mills:
   - *a.* East Side Planing Mill, Kansas City, Mo.
   - *b.* Mechanics' Planing Mill, St. Louis, Mo.

16. Pottery Works:
   - *a.* Potters' Coöperative Co., East Liverpool, Ohio.
   - *b.* Standard Coöperative Pottery Co., East Liverpool, Ohio.
   - *c.* Ohio Valley Coöperative Pottery Co., Tiltonville, Ohio.

17. Publishing Companies:
   - *a.* Publishers of the *Knights of Labor*, Chicago, Ill.
   - *b.* Coöperative Publishing Co., Scandia, Kan.
   - *c.* Publishers *Trades-Union*, Atchison, Kan.
   - *d.* Publishers Daily *Evening Star*, Bay City, Mich.
   - *e.* Publishers *Industrial News*, Toledo, Ohio.
18. Boot and Shoe Coöperative Association, Detroit, Mich.

19. Soap Works.
   - *a.* Assemblies' Coöperative Soap Co., Toledo, Ohio.
   - *b.* Knights of Labor Coöperative Soap Co., Chicago, Ill.

20. Stove Works:
   a. Coöperative Stove Co., Bloomington, Ill.
   b. Western Stove Works, Peoria, Ill.
   c. Western Stove Manufacturing Co., St. Louis, Mo.
   d. Coöperative Stove Co., Cleveland, Ohio.
21. Coöperative Tile Co., Cable, Ill.

22. Tobacco Factories:
   a. Coöperative Cigar Factory, Lafayette, Ind.
   b. Coöperative Cigar Co., Delaware, Ohio.

In the foregoing list I have included a few companies that are already dead, but concerning these certain facts have been obtained that seem to be of importance, and all of them will be mentioned. Some may have died since my information concerning them was obtained, but no company has been included in the list except such as appeared to have a recent history worth knowing, and most of them are living and said to be prosperous. The more important among them will be briefly noticed.

Mining Companies.—(1) In 1883 certain men at work for the Buckeye Mining Company, of Cannelburg, Indiana, joined L. A. 1436 of the K. of L., and were in consequence discharged. They had credit enough to enable them to borrow $2,000, with which they leased land near the Buckeye works and sunk a shaft. To meet their notes when maturing they appealed for help to the order of the K. of L., and March 3d, 1884, the Executive Board issued a circular stating their case and enthusiastically pleading their cause. Powderly, at that time less experienced and more hopeful than since, wrote as follows:

"Can anything be done for our Cannelburg brothers? If no other plan presents itself, levy an assessment or issue an appeal—anything to preserve them. The money is well invested; really it is the first sensible move that has been put into practical operation.

These men are locked out, and instead of sitting down and sucking their thumbs in idleness, awaiting assistance from the order, they go to work and flank the enemy by entering into competition with him. Let them have the Assistance fund, the Coöperative fund—only don't let them fail. It will be the biggest card for the order we ever played. Count on my entire and hearty coöperation in anything you may do for them."

The $2,000 needed for immediate use was advanced by L. A. 300, composed of glass-workers, who had been helped by the order to a successful issue in a strike not long before. The general Executive Board of the K. of L. was incorporated as the Union Mining Company, of Cannelburg, Indiana. Ten thousand dollars was raised by the issuing of two thousand debentures of five dollars each, which were taken by individuals or assemblies. It was decided that from the proceeds of the mine were to be paid, (1) current wages to laborers, (2) incidental expenses, and (3) five per cent. interest to debenture holders. If there should be any profits remaining they were to be divided so that ten per cent. should go to the general coöperative fund, ten per cent. to the sinking fund for the purchase of debentures when they should be offered, three per cent. to the local educational fund, and seventy-seven per cent. to be divided equally between labor and capital, "in proportion to value of investment." Plans were made for laying off the land into small lots and selling these to the men on easy terms for homes. A coöperative store was to be started which should save the laborer from the necessity of trading at the old Buckeye "pluck me," and everything seemed to promise immediate success.

When everything was ready to begin operations it was found that those concerned had been reckoning

without their—railroad. A switch had been built from the railroad to the mine, but though the general manager of the road—Mr. Peabody, of the Ohio and Mississippi—made repeated promises to have it connected with the main track, the work still remained undone. Thus, having invested over $12,000 in the affair, the Knights found themselves unable to ship a ton of coal, because the old Buckeye company had influence enough to make a common carrier violate its trust. Even were the switch connected with the main track, it was certain that the road would discriminate against the coöperators. To enforce their rights in the courts was a proceeding far too costly to be undertaken by those who had strained every nerve to make the necessary improvements at the mine. Nothing remained but to sell out for what could be got. The details of closing up the affairs of the company I do not know.

2. At Fairbury, Illinois, there was a strike of miners in the spring of 1886. They sunk a shaft and began taking out coal for themselves, and secured most of the local trade. The railroad company refused to lay a side track to the mine. The men were afraid to go to the expense of laying a track themselves, lest after it was finished the company should refuse to haul the coal, or rather should refuse to furnish cars for hauling it. "The courts have decided that while a railroad may be compelled to haul freight, it cannot be compelled to furnish cars."

Such failures as the above are obviously gratuitous. It is cases like these that cause the labor papers to insist that justice is becoming a luxury which the poor cannot afford. Alexander, in a re-

cent work on "Railroad Practice," complains of men like Hudson and Ely for their recent utterances on the railroad problem, because, as he says, they are "threshing old straw," and are still reviewing "the Report of the Hepburn Committee and other ancient literature." Pools, he claims, put an end to discriminations against individuals. A knowledge of a good many recent facts, such as those given above, have led some to think that a "very modern" duplicate of the Hepburn report might be prepared on short notice.

3. A more disheartening sort of failure among these enterprises occurred at Fontanet, Indiana. The Coöperative Mining Company of this place went to pieces, after a general and acrimonious quarrel among its members. Liabilities $10,000; assets not mentioned.

4. At Huntesville, Missouri, the largest mine in the place was deserted for five months in consequence of a strike. At last an arrangement was made by which the miners took entire control of the mine, using the company's machinery, and paying to the company a royalty of one cent per bushel. All over this belongs to the miners, and is used to meet running expenses, and the net profit is then divided among the men.

5. At Peoria, Illinois, the Coöperative Coal Company is said to have a capital of $20,000 and to be prospering.

6. Two of the mining companies seem to be conspicuously successful. One of these is located at Bloomington, Illinois. It was incorporated July 18, 1885, with a nominal capital of $30,000. Like most of the other attempts of the kind, it originated in dissatisfaction with the wages and treatment received

from an established company. After the enterprise was begun the men interested still kept on at their work, and the old company kept intensifying their earnestness by getting larger mine cars and docking them more and more for the slack contained in the coal. When the first load of coal was drawn from the new shaft, that the coöperative company had sunk, there was great rejoicing, and this first load was repeatedly auctioned off, bringing in all $505.

The shares of the company are $100 each, and it is simply a common joint stock concern; but the thirty shares are held by twenty-two persons, all of whom work in and about the mine, with the exception of one or two merchants, who bought stock to obtain the good-will of the miners. In March of 1886, when the very enthusiastic president of the company wrote to me, the out-put had only just begun. The company, he said, began with no assets except great expectations, but had at that time the lease of several hundred acres of good coal land, and all the requisites for beginning business. He spoke quite defiantly of the railroads, saying that the ballot was always an effective means of making them behave. I have not heard directly from the company since then, but have seen by the labor papers that it is prospering.

7. The Summit Coöperative Coal and Mining Co., operating mines near Bevier, Macon county, Mo., was incorporated in July, 1885. The immediate cause was a strike against the employment of negro labor by the old company. The capital stock is $5,000 in ten-dollar shares, which are held by 150 persons, and is nearly all paid in. The company holds the lease of two mines, giving claim to 450

acres of coal, 130 acres of land and thirty-six tenement houses. The royalty for the first year is remitted. Work is plentiful and wages high in winter, but at this time the profits are also greatest, even considering the high wages. There is work for 250 men in winter and for only 140 in summer. The members of the company therefore expect to provide constant work for themselves, and also to make a certain amount of profit from that done by the "transients" between October and April. The men, whether shareholders or not, are to submit to a five per cent. deduction from their nominal wages, which is to be added to the profits of the company. No profits are to be divided until the company shall have a surplus of net profits to the amount of $12,000. The division of profits is left to the board of directors, and non-shareholding laborers are to receive "an equitable dividend in proportion to the amount of wages earned." No person can own more than ten shares. The value of the annual product is about $85,000. The company farmed some of their land during the last year, and expect to make some brick, put up a store, and build additional tenement-houses as soon as possible. Relations with the railroads are thus far very satisfactory, and I have noticed that coal dealers in a place as distant as Atchison, Kansas, find it profitable to advertise in the labor papers that they keep the "Bevier coöperative coal."

There are said to be coöperative coal yards at West Indianapolis, Ind., and at many other places. This would, of course, come under the head of distributive coöperation. As local coal dealers are rarely more than the agents of the mining companies, it

does not seem that there is much of a field for co-operation in this line of business.

FURNITURE MAKERS.[1]—1. In 1878 a company of strikers organized the St. Louis Furniture Workers' Association, and began what has proved a prosperous career. The amount of capital at the present time I have not learned, and have no means of judging except from the statement that the shares are $25 each, and that there are 280 shareholders. Of the shareholders 96 are laborers, and since February 1st, 1886, they have given up 10 per cent. of their wages to form a fund for buying in the outside shares. No person can hold more than 20 shares. The Executive Board—composed of the president, secretary and treasurer—make purchases and sales, but the directors must consent to the buying of new machinery and to the making of any permanent improvements. Wages are regulated by committees appointed for the purpose. Part of the men are paid by the week at from $12 to $15 per week, and the piece-workers receive what are considered fair wages. Profits remained undivided till 1884, when a dividend was declared, and paid in stock. The stock is now all taken.

2. The Central Furniture Company, also of St. Louis, began operations in 1881. The capital stock is $30,000, which is all paid up. The shares are $100 each, and the number which can be held by one person is not limited; the stock is held by some fifty persons, about four-fifths of whom are at work for the company. In 1882, at the end of the first year's

[1]For the facts regarding this and some other St. Louis enterprises, I am indebted to an article which appeared in the *Age of Steel*, about a year ago.

business, a possible 6 per cent. dividend was carried to the reserve fund; in 1883 a dividend of 45 per cent. was declared, but only 35 per cent. was made payable, and this in stock; in 1884 a 20 per cent. dividend was declared, 5 per cent. of which was paid in cash, and the rest in stock; in 1885 the dividend was passed.

3. A third enterprise of this kind, also of St. Louis, is the Mechanics' Furniture Association, which began business in March, 1885. The capital stock is $25,000, half paid in. The shares are $50 each, and those that have been taken are held by 150 persons, sixty-five or seventy of whom are workers. Nine directors have general control of the wages; three trustees look after the financial part of the concern, but the president has power to make purchases and sales. Ten per cent. of the wages will be held back, and stock dividends declared till the shares are all taken.

4. The Coöperative Furniture Company, of Cincinnati, Ohio, was incorporated July 13th, 1886, and began work on the 25th of the following October. The immediate cause of the formation of the company was the failure of the "eight-hour strike." The capital stock is $50,000, divided into shares of $100 each; the members of the company must each hold the same number of shares. At the last of January, 1887, $34,500 of stock was taken, which was held by sixty-nine persons. The last six purchasers of stock have paid $25 premium on their shares, which, if I understand my informant correctly, means a premium of five dollars per share. There are 51 men employed, all of whom own stock. Profits are to be divided equally among shareholders. The member of the company who sends me these facts, expresses

the opinion that what is called distinctively "profit sharing" is "a good scheme for the manufacturer," an idea which is rather common with the more radical of the thinkers among laborers.

5. The Coöperative Reed Chair Factory, of Michigan City, Ind., was organized August 14th, 1886. The old factory decided to use convict labor, and so the men began on their own account. The nominal capital is $50,000, in five dollar shares; the value of the annual product will be about $25,000. There are at present 500 shareholders. The company employs forty-two men, of whom all but eight are shareholders, and these eight are all minors. Profits are divided in proportion to the amount of stock held. Henry Bird, the secretary of the company, has had some twenty years' experience in labor organizations, and looks forward to "universal coöperation" as possibly to be attained in three or four generations. Ignorance and jealousy he finds the greatest drawbacks.

On the whole, it may be said that results have been obtained in this branch of industry, as substantial as those in any of the others, so far as heard from.

Planing Mills.—1. The Mechanics' Planing Mill Company, of St. Louis, Mo., began business in 1874 with a nominal capital of $50,000, but with a supply of available cash amounting only to $10,000. The concern is only slightly coöperative in practice, and not at all so origanically. The transferable shares are of the value of $500, and were issued to outside parties or workers, for cash or scrip—the latter representing unpaid wages. There were at first twenty-

five or thirty stockholders, about three-fourths of whom were laborers. The officers make purchases and sales, but board of directors fix the amount of wages. For a long time the company was very much embarrassed by lack of adequate capital. A bookkeeper of the early time says that on pay-day he was compelled to settle first with non-shareholders, and then paid the members of the company only just as much as he thought they had to have to prevent starvation. The shareholders, who were also workers, were mainly Germans; they grumbled at this sort of treatment, but submitted. The company was at one time refused ten feet of belting because the cash did not accompany the order. In the second year a fire caused a loss of $8,000; they managed to get lumber on credit, and the stockholders put up the building. After this they began to conquer success, and in 1884 the stock was all taken. They now have an undivided surplus of $35,000, and the shares are worth double their face value. Dividends have usually been ten per cent. The wages paid for piece work are usually a trifle higher than are paid elsewhere in the city.

2. As regards the enterprise just mentioned, it may seem that it partakes rather of the nature of a profit-sharing concern than one that is coöperative; that is to say, the real control comes from the superintendents. This is still more true of the East Side Planing Mill of Kansas City, Missouri. Although this is spoken of as a coöperative enterprise, it is in reality an instance of profit-sharing, under the management of V. W. Coddington. In fact, it would seem that this branch of industry is better adapted to profit-sharing than to pure coöperation.

CARPENTERING.—1. The Carpenters' Coöperative Association of Decatur, Illinois, was incorporated October 17th, 1885. Stock is $5,000, in $10 shares, held, or at least subscribed for by eighteen persons. Profits are divided on basis of stock owned, but the association aims to pay a little better wages than competing firms. Twenty-three thousand dollars' worth of work was done during the first quarter, and from repeated notices in the labor press, it may be inferred that the association is still prosperous.

2. Of the nature of the Coöperative Sash and Blind Factory, at Rushville, Indiana, I have not been able to learn definitely. They began with six men in April of 1886, and last September were employing fourteen, and expect to increase steadily until a full complement of eighty men is reached.

STOVE WORKS.—1. The Cleveland Coöperative Stove Company is a large institution, and one long established. It was incorporated in 1867, and was for some time thoroughly coöperative, profits being divided with the laborers. A long and gallant fight was made, but under this management it was found that not enough capital could be secured. The works were practically closed for two years, and when work was resumed the company was an ordinary joint stock concern, except that a good deal of the stock was held by employés. The capital is $250,000, in shares of $100 each. Of the 350 men employed, about 90 are shareholders. The value of the annual product is about $400,000. Profits are now divided on the basis only of stock held. A branch house is established at St. Louis. The experience of this company is of use as giving an obvi-

ous and concrete example of the rule that capital must be allowed a sufficient return, or it will not be used to provide the means of laboring for the laborer.

2. The Coöperative Stove Company, of Bloomington, Illinois, was incorporated in June, 1886. A strike preceded its formation, caused partly by low wages and partly by the persistence of the old company in the method of putting on a large force, doing a year's work in six or seven months, and then discharging the men for the remainder of the year. The capital stock is $12,000, in $10 shares, this being the smallest share which the laws of Illinois allow. There are 40 shareholders, and no one is allowed to hold more than 100 shares. A circular appeal was issued to the assemblies of the K. of L., and various local and district assemblies together subscribed for $4,000 of stock. Profits are divided according to amount of stock held, but as long as all the stock is not taken any of the men at work for the company can join it.

3. Of the other three companies, I know little more than that they are reported to exist.

Pottery and Tile Works.—1. The Standard Cooperative Pottery Company, of East Liverpool, Ohio, was incorporated August 18th, 1886. A favorable opportunity offered at that time to purchase the works that the company now owns, and the men organized to take advantage of this opportunity; the object being, as stated by one of the men, to secure to the workers the profits, if there were any, of the business, and at any rate to provide steady work for the stockholders. The capital stock is $20,000 in

forty shares, which are held by thirty-four persons. No person can hold more than two shares, and each stockholder has but one vote. Fifty-four men are employed, of whom twenty-six are shareholders. The value of the annual product, in case the works are run the full fifty-two weeks, is $70,000. The company manufacture iron stone china and decorated ware, and are doing a good business at present. They do not expect to realize any profits before the end of 1887, as it is found expensive to get the product into new markets.

2. The Ohio Valley Coöperative Pottery Company, "manufacturers of Rockingham and yellow-ware, terra cotta hanging baskets, flower pots, etc.," was organized on November, 18, 1885. The paid-up capital is $4,000, held by twenty-six individuals. The number of men employed is sixteen to eighteen, of whom perhaps a majority do not own stock or share in profits. This enterprise is evidently very mildly coöperative. The value of its annual product cannot yet be definitely stated.

3. The Coöperative Tile Company of Cable, Illinois, was organized in March, 1886, after the feasability of such an undertaking had been discussed at length in the local assembly of the Knights of Labor. The capital stock is $4,000, in shares of $15 each, and is held by twenty-three persons. The value of the annual product is estimated at $15,000. Eighteen laborers are employed, of whom all but four own stock, and these can receive stock in exchange for labor if they choose. Profits are divided on the basis of capital invested. No member is allowed to hold more than twelve shares, or if he does so they secure him no additional votes. Most

questions are settled by the wishes of the majority of members, but when issue is made a member holding twelve shares can demand twelve votes. The secretary writes that most of the opposition to the enterprise has come from laborers not connected with it, who are jealous and suspicious of the undertaking. Lack of sufficient capital has also hindered the development of the business, but orders are said to be plentiful and prospects bright.

CLOTHING FACTORIES.—Two enterprises of this character have been undertaken by sewing women, and the Knights of Labor have, as a rule, rallied gallantly to the help of this class, that have so much need of help.

1. Our Girls' Coöperative Clothing Manufacturing Company has received especial encouragement from the labor papers and the various assemblies. The girls comprising the company were locked out for taking part in the labor parade of September 6, though they had supposed that their employer had consented to their doing so. "Being afterwards blacklisted, it became a question of coöperation or starve." The $10 shares have been liberally subscribed for by the Knights, and the company seems likely to get started. It is the intention to fit up a room with twenty or thirty machines and take work from the large manufacturers of ready-made clothing, thus doing away with the sub-contractors.

2. By far the most tastefully printed copy of by-laws and constitution as yet received from any coöperative enterprise, bears upon the cover the initials, M. W. C. A. Being interpreted, these letters signify Martha Washington Coöperative Association, which

organized for the manufacture of overalls, shirts and knit goods. The nominal capital is $10,000, in five-dollar shares. "Shares may be paid for as follows: Each female stockholder, on becoming a member of the association, is to pay fifty cents per share, and twenty-five cents per week for each succeeding week, until said stock is fully paid up. Each male stockholder shall pay one dollar per share, and fifty cents per week for each succeeding week." Before the opponents of woman suffrage instance this as an awful example of the tyranny of the sex whenever they can rule, it may be noticed that the stock is to be paid for from current wages, which are usually lower for women than for men. None but members are to be employed; ordinary wages are paid. Ten per cent. of profits are to go to a reserve fund, and the rest to be shared in monthly dividends among the workers, in proportion to the amount of work done. "Stockholders not sewing" are to receive six per cent. on the investment after the first year. All the officers are women.

Other Industries.—1. The Boot and Shoe Coöperative Association, of Detroit, was organized in September, 1885. It has had to fight hard for each month of existence from that time to this. Of the $50,000 of nominal capital, only $1,800 has been paid in. The organization is fully coöperative, and it looks a little as though the company was to afford another illustration of the fact that capital will seldom be invested in sufficient quantities in an enterprise to which it is not lured by something more tempting than a low rate of interest, which may not be forthcoming.

2. It is difficult to determine whether or not there is anything substantial under all the talk of those who have the Chicago Coöperative Packing and Provision Company in the process of alleged creation. A very conspicuous advertisement in the *Knights of Labor* of December 18, 1886, announced that $30,000 of the capital stock of $500,000 was already subscribed. The same advertisement announced that "the business will be capably and economically managed without risks, and depending on regular profits through a continuous chain of interstate union markets. The establishment will employ union labor only, and run on the eight-hour plan." An editorial in the same paper told of an offer to the company, made by the citizens of Iowa City, to pay a cash bonus of 20,000, besides various local facilities for beginning business, worth "at least" $30,000 more, if the company would locate their works at that place. The discussion that has been caused by the project in Chicago labor circles has been already noticed. It seems very doubtful if much meat will ever be packed by this company.

3. Of the other companies enumerated above, it will hardly be worth while to speak. Of some of them I know almost nothing, except that they are said to exist, and that they claim to be coöperative. The publishing companies have been especially uncommunicative, none of them finding it possible to answer letters of inquiry concerning their organization and methods of operation. Some of them, there is good reason to believe, are merely companies of two or three printers who had money enough between them to start a paper, and called the company coöperative because anything so called is now popular with

laborers. Of some of the enterprises there are at hand statements as complete as many of those already given, but it seems useless further to extend the accounts of half-formed and wholly inexperienced companies.

Points Omitted—Conclusions.

In the foregoing survey no mention is made of communistic societies, except as they may have originated in what is known as "labor agitation." Neither has any attempt been made to obtain the facts relative to the numerous and prosperous "building associations." As to the organization, methods and general results of such associations, Drs. Shaw and Bemis have, in monographs published in the preceding volume of this series, already given full and satisfactory accounts. As for collecting and tabulating the concrete results achieved in the middle West by these associations it can only be said, that while such a summary would have some value, yet it is not possible for a single individual to compile it for so large an area. Laws requiring annual reports to some state official, and the work of the state bureaus of labor statistics, might render the facts accessible. Insurance companies, claiming to operate on a "coöperative" or "mutual" plan, are to be found all over the country, and differ scarcely at all in aims or management from those that have seen fit to chose other words "to conjure with" in the writing out of their advertisements. Profit-sharing is a form of coöperation in which considerable has been done, but it hardly comes within the scope of this monograph. Mr. N. O. Nelson, of the Nelson Manufac-

turing Company of St. Louis, has recently published a pamphlet on the subject, in which he tells of the experience of himself and others in this direction, and gives his conclusions as to the efficacy of this method of solving some of the industrial problems of the time.

The causes that now retard the development of the coöperative element in our industrial organization may be given under six heads, and these can in turn be grouped by pairs in three classes. The first two are external and adventitious, the second are inherent in the character of the individual coöperators, and the third two are inherent in the nature of coöperative enterprises.

1. A serious drawback is the want of proper legislation, which has been previously mentioned while discussing coöperation among farmers. A bill is now before the Illinois Legislature to make possible the incorporation of coöperative companies, but its provisions are so general as to be nearly worthless. Experience has proved that careful, definite, circumstantial legislation is to successful coöperation not an impediment but a help, not a restraint but a guide.

2. A general organization to embrace all coöperative enterprises is much needed. The Knights of Labor have attempted much in this direction and accomplished little as yet. What is called the American Coöperative Union was organized toward the end of 1886 in Ohio. William Gossage, of Mount Vernon, Ohio, is the "governor general," and the central office is located at Janesville, in the same state. It seems to have had a purely local origin, but aims "to combine in one grand union all beneficiary,

trades unions, educational, religious, supply, distributive, productive, building and banking companies, societies, or associations of whatever name or nature, in order to bring about complete coöperation through the interwoven interests of all." The aims are certainly comprehensive and the effort commendable, but a reading of the constitution, wherein poetry is quoted, and grammar is used as bad as that just given, leads one to doubt if the union can be successful. It seems altogether likely that some of the attempts in this direction now being made in the East will result in the formation of a society or societies that can extend West, as fast as there are established coöperative companies to be benefitted thereby. The coöperative fair at Cincinnati proves the desire for inter-communication and the possibility of it. Elaborate attempts like that of the "American Union" and Cincinnati "Distributive Association" can only serve as evidences of the American tendency to lay the cap-stone before the foundation.

3. The checks upon the extension of coöperation that result from bad morals are very obvious, and have been often enough insisted on. Where each man is willing to advance himself, though at the expense of his neighbor, none of the mutual confidence essential to hearty coöperation is possible. The knowledge which each has of his own unsoundness leads him to distrust the integrity of his fellow. It is because good morals are so essential to successful coöperation that coöperation where possible is such an efficient aid in the development of better morality.

4. Lack of intelligence is another obstacle which can be hardly overcome, except by removing it. The intellectual faculty which is most important to a co-operator, is the power to estimate correctly his own capacity and that of his coadjutors, in order that he may choose leaders wisely, and submit to them willingly. The weakest point in the thinking of laborers and in the arguments of labor leaders, is that they cannot manage to appreciate the economic value of brains. The greatest desideratum in the economic discussions of the present time is a unit of brain power.

5. This brings us to the inherent defect of the co-operative form of industrial organization, which is that under this form the highest prices cannot be offered, either to capital or to managerial ability. As regards capital, this fact is not of great moment, as lenders do not insist on very high interest, if only its payment be certain. It is only while enterprises are new that capital demands high rates, as insurance against loss.

6. That coöperative companies have, as yet, found no way to pay the highest rates for brain power, is a more serious matter. Francis A. Walker has carefully differentiated profits from insurance against loss, and from interest on capital, and thinks that they are determined by a law analagous to that of rent. He says that there is a no-profits class of *entrepreneurs;* that is, of managers who get for the work of superintendence no more than other laborers do for performing other work. Now, if a manager, who produces for the same market as does one of this no-profits class, can so organize the industrial

forces that he controls as to produce more cheaply, it is evident that the difference in the cost of production at the two establishments will measure the amount of profits accruing to the better manager. This likening profits to rent leads us again to consider the capacity for affecting economic production resident in the brain of man—or perhaps we should rather say, in the non-physical part of man. As a fertile field produces for its owner a surplus over and above the amount of labor expended, so a "fertile brain" will produce for the lucky *entrepreneur* that owns it a surplus of profit to which no other man can have a claim. It may be further noticed that in the cultivation of brain power there has been found no fixed law of diminishing returns. While the supply of land is limited, and its fertility capable of exhaustion, the supply of brain power is apparently limitless, and its improvability unmeasured.

Walker speaks always as though it were the ability of a single manager that had an influence on profits, but that basis is surely too narrow. Instead of "a no-profits class of *entrepreneurs*," it would be more in accordance with facts to speak of "a no-profits class of establishments." Doubtless the ability of the chief manager is the most important factor in determining whether or not there shall be any profits at all, but it is not the only one. So long as there is in any person connected with a given establishment—whether he be the superintendent or not—the capacity to earn by diligence or economy, or intelligence, more than his wages, that person has within himself the power to influence the amount of profits to be made. The success of any manager must depend very largely on the class of men he is

able to secure. The combined abilities of the manager and the men will determine the place in the industrial scale of a given establishment, and so the amount of profits it can make. Production will be cheapest where the energies of all concerned are stimulated to the utmost possible limit of continuous achievement. The inherent weakness of coöperative enterprises, *as usually conducted*, is that profits are so divided that they fail to secure the best managers, or the best energies of the managers secured; their inherent strength is in the fact that they can secure the most faithful and intelligent laborers, and can offer them inducements to labor with a maximum of fidelity and intelligence. The relative importance of these two factors in the cost of production in a given industry is a guide to the probability of successful coöperation therein.

III.

COÖPERATION AMONG MORMONS.

A recent pamphlet of about a hundred pages bears the following title: "Social Problems of To-day, or the Mormon Question in its Economic Aspects; a Study of Coöperation and Arbitration in Mormondom, from the Standpoint of a Wage-worker." The author, who uses the *nom de plume* of "A Gentile," is Dyer D. Lum, now of Chicago, and prominent in labor agitation there. He was for a time a United States official in Utah, and wrote a previous pamphlet on "Utah and its People." His last work has been extensively reviewed by the labor press. and has met with much favor at the hands of the more radical. By Lum, as by many writers of his class, coöperation is used in the broad sense of association. The great work of compelling a desert not only to blossom as the rose, but to produce over fifty bushels of wheat to the acre, he includes in the results of what he calls coöperation. One sort of coöperation this certainly is, and its claim to consideration in such a study as this will be examined later on. But, apart from such a form of industrial achievement, the Mormons have built up a mammoth mercantile enterprise which is called coöperative, and by its name challenges the investigation of its claim to be so called.

"Zion's Coöperative Mercantile Institution."[1]

The great commercial enterprise, which is usually referred to as the Z. C. M. I., was undertaken in 1868. The prices for ordinary commodities, such as merchants usually handle, were as exorbitant in Utah as in most Western communities, and one object—and the main one which was urged by Brigham Young for the establishment of the "institution"—was to give consumers cheaper rates. Speculation was active. "Wheat that was bought in one place for 75 cents per bushel, was sold in isolated mining camps for $25 per hundred-weight."[2] "In 1864 merchants had risen to opulence. Commerce was gradually but surely throwing all money to a few hands."

"Early in 1868 the merchants were startled by the announcement 'that it was advisable that the *people* of Utah Territory should become their own merchants,' and that an organization should be created for them expressly for importing and distributing merchandise on a comprehensive plan. Although in the prosecution of this work the church was threatened with a formidable schism, Brigham Young never faltered; it was an economic rather than a religious heresy he had to confront. In Mormon society the two elements of organization—the social and the religious—have ever been combined, and it was to prevent their threatened divorce that this step became necessary.

---

[1] My sources for this part of the monograph are mainly these: 1) Lum's pamphlet, already mentioned; (2) A file of the Z. C. M. I. *Advocate and Commercial Register* for 1886; (3) A lengthy statement sent me by H. W. Naisbitt, editor of the *Advocate;* (4) A copy of the "Agreement, Order, Certificate of Incorporation and By-Laws of the Z. C. M. I.;" (5) Answers at length to questions asked of Hon. John T. Caine, Territorial delegate from Utah; and (6) Correspondence with various "gentile" observers of the operations of the great "Institution." With only such sources as these, it is evidently not possible for one so far away to make an exhaustive study of such an enterprise; but if all statements of fact are carefully credited to the proper authorities, the incompleteness of a preliminary study need not mislead.

[2] So. Prob. of To-Day, p. 10.

"In October, 1868, President Young called a meeting of the merchants, and it was then and there determined to adopt a general coöperative plan throughout the Territory. The late Mr. Jennings, one of the largest merchants, and perhaps one of the wealthiest men in Utah, rented his store to a coöperative association for five years. The people possessed the genius of coöperation and Brigham Young possessed the *will*, while around him there was a small circle of men who, for commercial energy and honor, instincts for great enterprises, and financial capacity generally, would be esteemed as preëminent in any commercial emporium in the world. The policy which had been wisely and considerately pursued in purchasing the stocks of existing firms, or receiving them as investments at just rates, shielded from embarrassment those who otherwise would have inevitably suffered from the inauguration and prestige of the new organization. Simultaneously with the framing of the parent institution, local organizations were formed in most of the settlements of the Territory, each drawing their supplies mainly from the one central depot. The people, with great unanimity, became shareholders in their respective local 'coöps,' and also in the parent institution, 'Zion's Coöperative Mercantile Institution.' Thus, almost in a day, was effected a great reconstruction of the commercial relations and methods of an entire community, which fitted the purposes of the times and preserved the temporal unity of the Mormon people, as well as creating for them a mighty financial bulwark."[1]

Besides the object of reducing prices and uniting interests, there was also the influence in the minds of the originators of the plan of the idea of developing home industries. "It is evident that with but one importing house in the hands of the country's friends, struggling industries could be aided by partial, if not absolute, non-importation; but multiplying importers, particularly self-interested ones, would nullify our theory—the fostering of local industries."[2]

In reply to my questions as to the number of shareholders at various times, and the maximum, mini-

[1]So. Prob. of To-Day, pp. 10, 11, and Naisbitt writes to the same purpose.

[2]John T. Caine.

mum and average amount of stock held by each, Mr. Caine replies thus guardedly:

"It may be said the number of stockholders was never so numerous as desirable, but that in commencing this system many conditions had to be taken into account. There were already many merchants in Salt Lake City and Utah Territory, who were freely consulted, and with great unanimity they became investors, many of them selling out their entire stock to the new coöperative organization. These sales not only gave goods, but buildings also, which could not otherwise have been obtained, so that organization and a beginning in trade were almost simultaneous. Payment for the goods in excess of investment by the retiring merchants was made with that celerity which was contingent upon the establishment of credit in the regular, though then distant marts of our country. The first stockholders were of every grade, from the holders of a single share of $100 or less, to holders of larger amounts, $75,000, $50,000, $25,000 and $10,000, by merchants and prominent men, who, at the solicitation of the late President, Brigham Young, furnished these several amounts. He himself was a large stockholder. Originally the stockholders were all members of the Mormon church, and the majority are now so; but some few shares of stock are occasionally placed in the open market. * * * The intention of this organization was that it should be the supreme importing house of the people for the Territory, and that auxiliaries of local organization, for distribution, should be formed in every colony or settlement. This barred many, in those days of limited means, from identifying themselves with the parent institution, as their little surplus was needed in the local organizations; so that while the stockholders in the Z. C. M. I. might never have exceeded a thousand, large numbers were everywhere committed to that policy which meant self-defense, low prices, and, to the Mormon, the education in business directions of great numbers who, as directors, buyers and salesmen, have attended to this coöperative business, and thus preserved, in great measure, the Territory from being overrun with speculators and adventurers."

The scope of the business done may be judged from the following extract from the full page advertisement of the institution: "Among our leading departments are groceries, hardware, metals, stoves, tinware, crockery, glassware, dry goods, notions, clothing, carpets, boots, shoes, shoe findings, station-

ery and drugs, continually replenished with the most choice goods from the markets of the world."[1]

As to the financial success of the institution there can be no possible question. Its stock, to the amount of $1,000,000, has been maintained at par. Its annual sales now reach a figure somewhere between four and five millions, its pay roll averages $20,000 per month, and the freight bill is nearly $300,000 per annum. Since beginning business in March, 1869, it has paid dividends to the amount of $1,270,415.86.[2] The following is the official statement for the fiscal half year ending July 31, 1886:[3]

RESOURCES.

Mdse. on hand	$ 995,917 51
Notes receivable	180,682 74
Accounts receivable	261,322 38
Cash on hand	29,639 10
Real estate in Salt Lake City, Ogden, Logan, Soda Sp'gs and Provo	240,846 66
Machinery at shoe and clothing factories and tannery.	33,400 00
17 horses, 2 mules, 16 wagons, 10 sets of harness, 10 tons of oats, and 4 tons of hay	2,311 00
Provo Manuf. Stock	291 40
	$1,744,410 79

LIABILITIES.

Bills payable	$446,710 62
Accounts payable	18,361 34
Unpaid dividends	4,275 99
Temporary deposits by customers	3,415 65
Outstanding orders drawn on us for mdse. at retail	1,046 57
Capital stock	999,877 71
Reserves	184,015 30
Undivided profits	86,667 61
	$1,744,410 79

[1] *Z. C. M. I. Advocate*, November 15, 1886.

[2] John T. Caine.

[3] *Z. C. M. I. Advocate*, October 15, 1886. There is a mistake of $40 in adding the liabilities column of this statemement.

The places where the Z. C. M. I. owns real estate mark each the location of a large and prosperous branch house, and the statement also indicates the productive undertakings that have been started directly by the parent institution.

The *Advocate*, after giving this statement, adds: "From the undivided profits mentioned above a dividend will be paid of 5 per cent., as usual; the balance goes to the reserve fund.

"At the annual election, held at the Social Hall on the 5th inst., the old officers and directors were re-elected."

One who is an enemy of the Mormons, and denies that the Z. C. M. I. is in any sense coöperative, would point to this last sentence as an evidence of the fact that the great institution is but one of the means by which the Mormon hierarchy holds in subjection the Mormon people. "The profits of it are the prophet's," says Benjamin F. Taylor, and there are many who hold that its amazing success is no more an example of what free industrial coöperation can do than was the building of the pyramids. Gentile correspondents write that in the upbuilding of this institution the Mormon people have been merely "dumb, driven cattle." "The Z. C. M. I. was originally organized to keep out the trading gentile, and bind all the people together in trading interests by giving them an interest in their church stores. The Mormon theory of coöperation looks well on paper, but in practice it is exactly the reverse of what it pretends to be."[1]

Even "on paper," it can be shown that the institution is an ordinary joint-stock corporation, and that its offices have been filled by the same men that

[1] J. Brainerd Thrall, of Salt Lake City.

filled the offices of the Mormon church. Brigham Young was its first president, and John Taylor is his successor in the position. It is said by many that at first a large number of the people held stock, but that the smaller holders have been "crowded out." When, in 1870, the company was incorporated the stockholders numbered but 21, and of the $199,000 of stock then taken four men held $177,200 worth. These four men, and the number of their respective shares, were as follows: William Jennings, 790 shares; Brigham Young, 772 shares; William H. Hooper, 110 shares; and David Day, 100. Next to these came Brigham Young, Jr., with 53 shares. Later on the Mormon Church itself bought largely of the stock—was said to own a third; but in anticipation of the confiscation of church property this has lately been transferred to individuals.

The Mormon urges the claim of the Institution to the title coöperative, on the grounds that the great corporation has been operated, not in the interests of the stockholders, but of the people. Ten per cent. per annum has been paid to stockholders on capital invested, but that is really not high interest for a Western territory; and it is urged that prices have been gauged, not by what could be got for the goods on hand, but by the cost price plus the lowest possible charge for the cost of handling. It is claimed again and again that it has never taken advantage of opportunities to charge a monopoly price when there happened to be an inadequate supply of some commodity of which the Institution had a large stock on hand. The *Advocate*, the monthly organ of the Z. M. C. I., exhorts the "local coöps" to charge only as much as is really necessary—not in the name

of commercial expediency, but in the name of brotherly fairness and loyalty to the church. It is indeed from time to time covertly pointed out that expediency and duty indicate the same course, but still the highest note in all the pleading is that of obligation to their neighbors and to the Mormon church and people. "Many of the local coöperative stores have limited their dividends, retaining a part of the profits made each six months to extend by coöperation industrial and manufacturing facilities, so that furniture, lumber, shoe factories, tanneries, butcher shops, dairies, grist mills and other industries have been inaugurated and built up slowly, but effectually, from the nucleus of the original store. Some of the local stores have retained a half of the surplus exhibited on their inventories from time to time, for the purposes just mentioned, and while there is some danger of an abnormal expansion under enthusiastic directories, the instances of failure are rare indeed."[1]

It is easy to see how a Mormon looks at such "expansion" as resulting in a great benefit to the community, while a hostile critic can see in it nothing but a strengthening and multiplying of the chains that bind the Mormon people. One thing is very obvious, and is insisted on by friends and foes. This is the fact that the Mormon mercantile system is really, though not nominally, dependent upon the larger religious system that makes of the Mormons a peculiar people. The management of the institution," says Caine, "is essentially democratic as to its semi-annual meetings of stockholders, where all persons give expression to their ideas." Yet he adds: "But the moral,

[1]Caine's statement.

financial, and—it may be said—ecclesiastical character of the directors and leading officers has given such faith in their integrity and experience that but few questions as to management are asked." It will be noticed that, viewed from a commercial standpoint alone, the results of the operations of the Z. C. M. I. have been much the same as those reached by the wholesale coöperative stores of England. The order of development of the local and central establishments is exactly opposite in the two cases.

Other Forms of Mormon Coöperation.

As to the economic bearings of this confidence in leaders in other industries, the statement made by Mr. Caine well expresses the Mormon views of the question, and his words "may as well be quoted as paraphrased":

"It is beyond question that Utah would have remained a desert, or at least have now been made up of a few straggling ranches, but for the advent of the indomitable 'Mormon' pioneers. They came here by compulsion; that is, they had to get away somewhere from plunder and extermination. Civilization had shut its doors against them, and compelled them to desert lands bought from the government, and homes erected by patient toil, in the intervals of peace, for which they have never received any recompense. Two years' travel brought them here decimated, but not destroyed. The land, Indians, crickets and drought were here before them. The few streams, far apart from each other, rushed down canyons untraversed, roadless and bridgeless. These had to be explored, cut through, blasted, graded and cleared; for here in almost inaccessible fastnesses was timber for building and fuel; and water, after intense labor and a struggle now unappreciated, was brought on to the thirsty soil, and thus the scorched deserts were forced to yield a scanty crop—if crop it could be called. If farms had to be fenced, it could only be done by united efforts—coöperation. If ditches and canals had to be made, no facilities were there but the pick and shovel in the hands of toil; if roads had to be made, each man, and boy, and team worked as though they alone had to reap the benefit. Everything was new; everyone

was without experience; but nerved by the needs of personal salvation, by love of wife and children, by dread of famine and death, by the spirit of freedom, and by faith in God, one foothold after another was made. Everywhere was encountered the same labor, the same difficulties, and the same necessities; but emboldened and encouraged by success, these sturdy 'Mormons' persevered until for nearly 800 miles north and south, and in numberless quiet valleys east and west, the streams have been diverted, canyons explored and cleared out, until nearly 300,000 of an enterprising and not easily discomfited population fill Utah with sounds of industry and peace. Thousands of miles of canal, and tens of thousands of ditches speak of prodigious labor, and testify to the subtle power of coöperative work. Thus coöperation has given us farms, orchards, homes and population; it has given the people renown for patience, endurance and success; it has testified to moral courage, to industrial unity, to religious influence and faith, and pointed an example whose power is felt throughout the inter-mountain region, on the sunny slopes of the Pacific, on the great plains of Colorado, and in all the region round about.

"Our first lumber mills, grist mills and factories, as well as our settlements, were founded on the principles of coöperation that has its base in a religious faith; and now our stores, tanneries, woolen mills, dairies, and cheese factories, our churches, schools and temples, as well as our ditches and farms, bear witness to the potency of coöperation.

"In regard to irrigating companies,[1] I may say that the institution of monopolies, the selling water rights, and, under protection of law, the exaction of money for this privilege, are not likely to be multiplied in districts colonized by a 'Mormon' population, who will make their own facilities, creating by labor the water courses needed, and combining them with the land in such a way that he who is without money is equally eligible to a share of the mountain streams, if his own right arm is only willing to join with that of his neighbors in performing the necessary work."

On this same point Naisbitt says:

"In the colonization of Utah and adjoining Territories, where

[1] I asked Mr. Caine for the points in favor of voluntary coöperation on the part of land owners in securing water for irrigation, as opposed to the plan of allowing a large company to do the work, and then charge the farmers for the water. The latter plan is much used in Colorado, many of the companies are English, and as nothing can be produced without the water, the demands of the company are apt to be exacting and oppressive.

irrigation is essential to successful agriculture, ditches and canals were usually the creation of united effort, or coöperation. * * * The original settlers did work on the ditches in proportion to the amount of land they desired to cultivate. Residents coming in afterwards would be called upon to take up shares which would be valued at the labor-cost of the work done per acre. * * * If land was obtained in the district, and settlers increased beyond the water supply of the ditches or canals already made, enlargement has been common, and many of the old coöperators, in order to secure protection in their vested rights, have, under local laws become incorporated; but the instances are rare in Utah where the ditches have been made by companies or individuals who had no interest in the land, but were simply sellers of water privileges. * * * In many cases the ditches have cost as high as fifty or sixty dollars per acre; and one dollar per acre, in labor, is not an uncommon levy for repairs."

The "gentile" authorities tell of these settlements as being the means by which the Mormons have obtained control of all the valuable land in Utah and large tracts in Nevada, Wyoming, Arizona, New Mexico and Colorado. They say that whenever a new and fertile canyon is discovered, or a water-course capable of being used in irrigation, the supreme authority—the church—sends out a Mormon bishop with a band of slavish followers, who, under his direction, homestead and pre-empt such land as will command the water supply for the whole tract; and under his direction hold and improve it. That the Mormons, by their system of colonization, have thus obtained command over vast tracts, not only in Utah, but in the commonwealths named, is indisputably true. The only question is as to the "slavishness" of the workers.

Much work on the earlier railroads was done in the same way. "The territory being largely agricultural, and possessing surplus labor, was in good condition for the work. Much of it was done after seeding, and before harvest; much, also, after har-

vest and toward winter. * * * * The call was made on the settlements in something like an equitable proportion for a contingent of men and teams."[1]

That all these forms of coöperation are made possible only by the Mormon religion is admitted and affirmed by all. Caine thus concludes his statement of the case:

"The essential elements of coöperation as it exists in Utah cannot be found elsewhere. Nevertheless, in the chapters of our history there are lessons for the sociologist, the political economist, the statesman, the philosopher, and the religionist, separately or combined. The unique experiment of Mormon coöperation, its successes and failures, its present and future, could be best studied on the spot. It is only regretable that ignorance and prejudice are so combined, that almost none believe that any good can come out of this despised Nazareth of our magnificent country. Our people are not anxious to place themselves under the tyranny of monopolists, particularly if this has to be done at the expense of self-help —the boast of freemen—or of that united help, which supersedes the motto of 'live and let live,' by the more Godlike one, 'live and help live,' which is as much the key to Mormon history in the past as it will be to the triumphant vindication of its principles in the future."

Whatever else may be considered doubtful in the statements or arguments advanced by Mr. Caine, I suppose that no one can intelligently deny the truth of what he says regarding the importance of this great social experiment to the students of social science. For present purposes it is only necessary to notice that from the lower classes—that is from the usually successless classes of this country and of Europe—have been drawn a people that have achieved great economic success under enormous difficulties. Bronterre O'Brien said of them, that they had "created a soul under the ribs of death;" and their labors have attracted the interested attention of men like

[1] H. W. Naisbitt.

Robert Owen and George Jacob Holyoake. Their enemies say that they have gathered together "the off-scourings of society," but even were this true, it would be of the greatest importance if we could learn how "the off-scourings of society" might thus be utilized in the up-building of such industrial successes. To say that it has been done by reducing the people to virtual servitude does not seem plausible, because with Federal artillery bearing on Salt Lake City, and Federal officers all over the territory willing not only to protect, but reward apostates, it is evident that nothing like physical or political servitude can exist. A large majority of Mormons own their homesteads, and ownership of land not only has been, but is the badge and guarantee of economic freedom.

It is interesting to note that tyranny and freedom may produce results that in their outward manifestations are very much alike. A far-seeing tyrant may wield his power entirely in the interests of those he governs, and a free people may resign and re-resign their power entirely into the hands of the man or men best able to use it wisely. Disinclination and refusal to do this very thing has been the greatest stumbling block in the way of successful coöperation. Numberless enterprises have failed, either because the leaders could not be trusted fully, or because the men would not trust them as fully as they might. Brentano says the coöperative enterprises can accomplish most for workingmen whose intellectual standard is ordinary, but whose moral standard is above the average. The Mormons claim that they have been successful because a religious element has come in that has made the leaders trust-

worthy and the followers trustful. I know that to hint at a superior moral standard among the Mormons is to cause most people to fly off at a tangent. That is not to be helped. But if by the morality of a people we understand the willingness to fulfill all their social duties, as they understand them, it can hardly be denied that the Mormon religion has begot in its converts a morality higher than the average. That this same religion has also resulted in a spiritual servitude that more than counterbalances other good results, there are grounds to believe. It is pertinent to our purposes merely to note that here we have a chance to study the industrial and economic bearings of a religious faith.

Its practical lesson for the common man is that religion and morality have economic value. It behooves us, who look for no "latter day" inspiration and are little inclined to submit to the guidance of a prophet, to learn this practical lesson from the experience of others, from the teachings of christianity and common sense, and not to wait until it must be learned "by the discipline of our virtues in the severe school of adversity."

HISTORICAL SKETCH

OF THE

FINANCES OF PENNSYLVANIA.

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. No. 2. | SIX NUMBERS A YEAR. PRICE $4.00 A YEAR.

HISTORICAL SKETCH

OF THE

FINANCES OF PENNSYLVANIA.

By T. K. WORTHINGTON, A. B.

With an Introduction by

RICHARD T. ELY, Ph. D.

AMERICAN ECONOMIC ASSOCIATION.

MAY, 1887.

COPYRIGHT, 1887, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1887.

TABLE OF CONTENTS.

PAGE.

Introduction 7

I. INTERNAL IMPROVEMENTS:

1. Private Enterprises 15
   - Union Canal 17
   - Chesapeake and Delaware Canal 18
   - Schuylkill Navigation Company 19
   - Lehigh Coal and Navigation Company 19
   - The Lancaster Turnpike 19
   - Bridge Companies 20
   - The Public Improvement Society 21
   - The Canal Convention 22

2. State Works 23
   - The Canal Commissioners 23
   - The Pennsylvania Canal 24
   - The Internal Improvement Fund 24
   - Cost, Revenues and Expenditure on the Public Works 25
   - Sale of the Public Works 27

II. THE STATE DEBT:

1. The State Debt Previous to 1844 32
   - The Act of February 18th, 1836 42
   - The Revenue in 1837 44
   - U. S. Surplus Revenue 44
   - The State without Resources 46
   - The Governor recommends Taxation 48
   - A Tax Law passed in 1840 53
   - The Relief Notes 55
   - Interest Certificates 56
   - The Act of April 29, 1844 58
   - Rev. Sidney Smith's Letter 59

2. The Finances of the State since 1844 60
   - A Review of the State's Revenue 60
   - An Abstract of the Treasury Operations 63
   - The Act of April 16th, 1845 64
   - The Sinking Fund of 1849 71
   - The Sinking Fund of 1858 72
   - Refunding Operations 74

III. TAXATION:
The County System and the State System 75
1. Taxes..... 85
Personal Property..... 85
Collateral Inheritance 87
Tax on Offices and Process..... 87
Tax on Net Earnings or Income..... 89
Tax on Notaries Public 90
Corporation Taxes..... 91
The Act of June 7th, 1879..... 91
Tax on Capital Stock..... 92
Tax on Transportation Companies..... 93
Tax on Gross Receipts..... 93
Tax on Insurance Companies 94
Tax on Bank, Safe Deposit and Trust Companies' Stock 94
Tax on Loans..... 95
Bonus on Charters..... 95
Tax on Foreign Insurance Companies..... 95
2. Licenses..... 95
Auctioneers..... 96
Billiard Tables and Bowling Alleys 96
Breweries and Distilleries..... 96
Brokers 96
Restaurants and Eating Houses..... 97
Sale of Liquors 97
Peddlers..... 97
Theatres, Circuses and Menageries..... 97
3. The Revenue Act of June 30, 1885..... 99
4. Constitutional Provisions Concerning Finance and Taxation..... 102

INTRODUCTION.

BY RICHARD T. ELY, PH. D.

Mr. Worthington entitles his essay an historical sketch, because he wishes it to be distinctly understood that it lays claims to a no more pretentious character. He has collected notes which he hopes to utilize in a more careful and extended treatise hereafter, but which seem to me worthy of publication in their present form as "a report of progress."

Pennsylvania is a state with a peculiar financial history, and it is a rich field for the student of political economy. As soon as one begins to work it in a serious manner one comes upon fruitful veins of ore. The various states of the American union have for the most part followed the lead of the older states in New England and the South in their economic institutions with a display of so little originality that it is especially instructive to study one which has not kept so closely as others to the beaten track.

Pennsylvania well illustrates an historical evolution to which Helferich has called attention in his monograph, "Die Allgemeine Steuerlehre," published in the Handbuch der Politischen Oekonomie, edited by Schönberg. Taxes occupy a subordinate place in the revenues of a nation. Even now this appears in

the method adopted in preparing a budget wherever rational principles are followed. First an estimate is made of expenditures, then of revenues from fixed sources of income, in particular from productive property of the state or municipality, or other public body concerned; finally, direct taxes are laid at a rate which will defray the deficiency. This deficiency is now a considerable part of all the revenues of the modern state, and when the indirect taxes are considered, which are treated in a somewhat similar manner, it must be acknowledged that in most states and municipalities the revenues from taxation constitute the major portion of the receipts of government.

Formerly it was different. In the middle ages, during the infancy of the present great European powers, the state possessed property which was expected to defray all public expenses. This stood in the name of the sovereign, whose private and public functions were then separated by no sharp line of demarkation. Taxes were granted by the estates or representative powers of the realm only when convinced of the insufficiency of the ordinary and regular revenues of the sovereign to meet necessary demands on his resources. Taxes were long considered as something irregular and unusual, as is indicated by the various words used to designate them, such as aids and subsidies (*subsidium*, *adjutorium*, *petitio*, *Bede*). The sovereign requested special help in time of unusual need. Jean Bodin, in the sixteenth century, for example, speaks of taxes as an extraordinary resource of which a Christian prince should avail himself as rarely as possible. But the possessions

of the crown were wasted in wars and by bad management; were squandered by prodigal rulers, or were given to courtesans and other favorites, and their revenues decreased correspondingly. The fall of feudalism, the formation of standing armies, to be maintained at the expense of the people instead of the nobles, and the rise of the centralized modern state—all compelled our forefathers in Europe to accept taxes as regularly recurring burdens. They were, however, long a minor source of revenue, and something looked upon as merely subsidiary. But with the growing expenses of government, the sale of public property, the relinquishment of special prerogatives and the transfer of nearly all kinds of business to corporations and private parties, under the influence of the *laissez-faire* policy, taxes came to the front, and the relative importance of other sources of revenue diminished everywhere, and in some countries almost into insignificance. Now the evolution of industrial society at the present time promises to bring about a state of things which in some respects resembles our former condition. The tendency to which I allude is the proper effort, as it seems to me, of public authorities to gain possession of all natural monopolies and manage them for the benefit of the people, adopting the principles laid down by Professor Henry C. Adams in a previous monograph in this series. The acquisition of railways by Prussia, which has been so much discussed, is only one of many phenomena pointing in this direction. The construction and management of street-car lines by English municipalities, the purchase of the telegraph in England, the growing importance of state forests, under the apparent inade-

quacy of private enterprise to provide sufficient area of forests and to manage it properly, the reversion of all French railways to the nation in the coming century, the reversion of the street-car lines to the municipality of Berlin in 1911, and like reversions in other countries—all these are similar phenomena.[1]

It appears very clearly, from Mr. Worthington's paper, that the people of Pennsylvania, early in this century, were opposed to taxation, and expected, in a near future, to derive the entire income of the state, —and that a very generous income—from the appropriation of natural monopolies. The idea was a sound one, but the manner in which it was attempted to put it into execution was faulty. Nevertheless, the failure of public works and public enterprises was by no means so complete, either in Pennsylvania or elsewhere, as is commonly supposed.[2] This is made clear in the following quotations from Mr. Worthington's essay:

"In 1810 the revenues of the state amounted to $353,965.08. Of this sum the interest on state investments returned $134,887.95;

[1]Prussia and Bavaria are the two great modern states most conspicuous for the large proportion of their revenues derived from gainful pursuits. The percentages thus derived are 66 and 72. The net receipts from German state railways considerably more than defray the interest on the entire public state debts.

[2]This entire subject needs much scholarly investigation. In Georgia even a hasty examination into the public finances of that state showed me that some of the state investments and municipal undertakings were decidedly advantageous to the people. Baltimore has found its investment in Baltimore and Ohio stock decidedly profitable, while some other investments of that municipality have been a total or partial loss. In reserving twelve per centum of the gross revenues of the street-car lines, for the maintenance and improvement of public parks, Baltimore attempts, in another way, to secure for the people the natural monopolies. This subject is further discussed in my articles on corporations, now appearing in *Harper's Monthly Magazine*.

lands, $93,644.42; taxes, $83.658.25. The expenditure per capita was seventy-three cents, and taxes per capita were thirteen cents. * * * Before the year 1826, with the exception of the tax on bank dividends and on certain court officers, there was, with one minor exception, no state taxation whatever, except in the way of licenses.

"In 1827 the House Committee of Ways and Means reported that there had been a steady increase in the various permanent sources of revenue; that they would suffice for the general expenses of government, and that the surplus in a few years would redeem the public debt."

But the zeal of the public for profits, as the exclusive source of revenue, and the aversion to taxation under any circumstances, were unwise. To do business exclusively on borrowed capital is a speculation of a dangerous character, and this is very nearly what Pennsylvania attempted. As Mr. Worthington says, speculation and hatred of direct taxation brought that commonwealth to the verge of bankruptcy. From 1826 to 1844, while the states expended for the internal improvement fund over fifty-five millions of dollars, less than four and a half millions were raised by taxation.[1]

The public works were sold, and the policy of internal improvement for Pennsylvania was abandoned. The causes of this change may be summarized as follows:

1. Speculation and financial blundering involved the state in very serious loss. As an excuse it may be said that the undertakings which occupied the state were then new and of almost unprecedented vastness; that proper methods of construction and management were not then known, and that quite as

[1]The instructive diagram which Mr. Worthington has prepared gives an excellent graphical illustration of the finances of Pennsylvania, and should be consulted carefully.

serious errors and quite as great losses can be shown in the history of private corporations. This, however, is only a mitigation of offenses committed.

2. There was an absence of fixed principle, such as Prof Henry C. Adams has attempted to lay down in regard to the proper functions of the state. The policy of public authorities was, as it still is, shifting, attempting now too much, now too little.

3. The sale of the public works took place in a period characterized by the rise of private corporations and the ascendency of the Manchester doctrine of donothingism.

4. Political corruption and the prevalence of the spoils system weakened public undertakings. It may, however, be asked whether natural monopolies, in the hands of private corporations in Pennsylvania, have been less potent political factors than they were under the management of the state. Have we any reason to suppose that political life would not be at least as pure in Pennsylvania as it is to-day, if the railways had been retained by the state, and attention had been concentrated on a reformation of the administration, instead of an attempt to reduce it to its lowest terms? This opens an interesting field of inquiry. Another pertinent question may be asked: Have those states fared better which entrusted internal improvements entirely to private corporations? Have not many of them given so much assistance to these bodies that they have become even more embarrassed financially? It is certain that private corporations were not equal to the task they assumed in railway construction, and have required aid from local political bodies, from states, and from the federal government.

5. It must be acknowledged that a division of railways, such that each state should manage its own, would hardly be a natural division of railway territory in the United States, as our states are too small and not properly situated for that. We may speculate on what would have been the outcome of a resolute attempt of the states to build and manage their own railways. Possibly under the guidance of federal legislation they might have come to some kind of a *modus vivendi* with one another, but to-day commerce and industry are not local, but national and international, and the federal government would have been obliged to construct some great through lines.

It becomes, however, more and more evident that the states were over-hasty in parting with their valuable properties, and that private enterprise has not been so great an improvement as was hoped. We are still obliged to contend with fraud, waste, favoritism in management, nepotism in appointments, and shameful public corruption. It is then natural that the reaction should take place, to which allusion has already been made. If further evidence of this reaction is needed, it is only necessary to read that excellent work in the English Citizen series, "The State in its Relation to Trade," by T. H. Farrar.[1] The most striking proof is that recent parliamentary legislation which renders it impossible for municipalities to grant charters to street car companies and electric lighting companies for more than twenty-one years, and compels them to reserve the right of repurchase at an appraised valuation for actual outlay. For obvious reasons this reaction did not begin so early in the United States, but the careful student sees

[1] MacMillan & Co., London, 1883.

abundant evidence of the fact that it has already begun. It is a most hopeful sign that the gas works of Philadelphia have been retained by the municipality, whereas if the trusts had expired ten years ago, there can be little doubt that they would have been sold or leased to private corporations.

This introduction raises many questions without settling them. Its aim is simply to point out the significance of Mr. Worthington's study and to urge others to take up similar lines of investigation.

HISTORICAL SKETCH

OF

THE FINANCES OF PENNSYLVANIA.

I

INTERNAL IMPROVEMENTS.

PRIVATE ENTERPRISES.

The citizens of Pennsylvania, since her earliest days, have been notable for their public spirit. As far back as the founding of the State, Pennsylvania's public men were exercised about the building of roads and bridges, and the improvement of rivers and harbors. In 1690 William Penn suggested the practicability of a water-way from a branch of the Schuylkill to a branch of the Susquehanna, which might follow a "common course" by which the Indians brought their skins to New York and East and West Jersey. The general assembly was always liberal with money-grants for local improvements, but it was not until the second decade of the last half of the eighteenth century that large schemes of internal improvements began to be agitated. In 1762 David Rittenhouse and Dr.

The library of the Pennsylvania Historical Society contains most of the public documents on which this paper is based. The set of treasury reports belonging to that institution is almost complete from the year 1804 to 1870. The canal commissioners' reports, the auditor generals' reports, and the governors' messages are either published separately, or in the house or senate journals, or in the executive documents. A nearly complete set of the enactments of the state legislature (known as the Pamphlet Laws) is in the pos-

William Smith, provost of the University of Pennsylvania, surveyed a route for a canal to connect the Susquehanna and the Schuylkill by the Swatara and Tulpehocken creeks. It has been thought that these persons had in mind a comprehensive canal system, five hundred and eighty-two miles in length, which should connect Lake Erie and the Ohio river with the Delaware. In 1769 the American Philosophical Society ordered a survey for a canal to connect Chesapeake bay with the Delaware river. By order of the provincial assembly, a route was surveyed to Pittsburg and Lake Erie. The project was considered practicable and its execution recommended whenever the public resources should warrent the undertaking. These schemes were soon put aside for matters of more absorbing interest. After the Revolution the various projects were revived, and in September 1791 a joint-stock company was incorporated by the legislature, and authorized to connect the Susquehanna and the Schuylkill "by a canal and slack-water navigation." Commissioners were appointed to receive subscriptions. When five hundred shares had been subscribed the governor of the state was empowered to incorporate the subscribers under the title "The President, Managers and Company of the Schuylkill and Susquehanna Navigation." By section seventeen of the

session of the Pennsylvania Historical Society, and also valuable files of newspapers. These have been the principal sources of the following sketch.

It is a great pleasure to acknowledge many courtesies and much valuable advice from F. D. Stone, Esq., the librarian of the Pennsylvania Historical Society. The writer was indebted in the same way to the late Lloyd P. Smith, Esq., of the Philadelphia Library. Of the newspapers of the period most extensively treated (1835 to 1845), the *Public Ledger* and the *Philadelphia Gazette* have been the most useful.

incorporating law, whenever the dividends of the company amounted to fifteen per cent. net, one per cent. was to be reserved and used, under the direction of the legislature, "for the establishment of schools, and the encouragement of the arts and sciences in one or more seminaries of learning, according to the provisions of the constitution." We shall see later how tenaciously Pennsylvania held to this idea. In April 1792 "a company was chartered for the purpose of connecting the Schuylkill and the Delaware, under the corporate title, "The President, Managers and Company of the Delaware and Schuylkill Navigation." When fifteen per cent. clear dividend was declared one per cent. was to be reserved as above, for educational purposes. When these undertakings were laid before the public a spirit of speculation was rife. Large fortunes had been made from dealings in the public lands and in United States bank stock. It was thought that canal stocks could be treated in the same way. Many subscribed who never paid, and never intended to pay, their subscriptions. Owing to the financial embarrassment of some of the chief stockholders, the failure of others to pay their subscriptions, and the misapplication of funds, both companies shortly suspended operations after expending $440,000.

In spite of the offer of a three hundred thousand dollar subscription from the state, they remained dormant until 1811.

UNION CANAL.—In 1811 the legislature repealed the previous acts in favor of the Schuylkill and Susquehanna Navigation and the Delaware and Schuylkill Navigation, and gave their rights, interest and

privileges to a corporation entitled "The Union Canal Company of Pennsylvania." The company was authorized to raise $340,000 by a lottery, all other lotteries being forbidden in the state. By an act of March 29th, 1819, the proceeds of the lottery were pledged as a fund to provide for the payment of six per cent. interest on the stock. In 1827 the canal was completed, and communication opened between Reading and Middletown, a distance of seventy-one miles. The total length of the canal, with its branches, was eighty-nine miles. Its course was nearly parallel to the Tulpehocken and Swatara creeks. At Middletown it connected with the Pennsylvania canal, and at Reading with the Schuylkill navigation. The estimated cost of the canal was $1,600,000.

CHESAPEAKE AND DELAWARE CANAL.—The preliminary survey was ordered in 1764 by the American Philosophical Society. In 1804 operations were begun by expending $100,000 on a route which was afterwards abandoned. By the refusal of the Delaware and Maryland subscribers to pay their subscriptions, the company became embarassed about this time, and work on the canal was stopped. In 1822 the company was revived, owing to the jealousy of the enterprise of New York in the construction of the Erie canal. In a few weeks $425,000 was subscribed. By act of March 28th, 1823, extending the charter of the Philadelphia Bank, that institution was ordered to subscribe for five hundred shares of the stock of this company. For fifteen years the dividends on the stock were to accrue to the bank, and at the end of that period the

stock was to be transferred to the commonwealth. The state of Maryland subscribed $50,000; Delaware $25,000, and the United States $300,000, subsequently adding $150,000. The canal was completed in 1827. It was about fourteen miles long, and was constructed at a cost of $2,201,864—$158,000 per mile. What was considered a great engineering feat at that time was performed by cutting the summit of the dividing ridge between the two bays. This cut was seventy-six feet deep and four miles long. A bridge of two hundred and twenty feet span was thrown across the cut at a height of ninety feet.

SCHUYLKILL NAVIGATION COMPANY.—The work which was done by the old Schuylkill and Delaware Canal Company was abandoned. In 1815 a new company was incorporated to construct a canal from Philadelphia to Mill creek, one of the tributaries of the Schuylkill, and from thence to Reading. The total cost was estimated at $2,770,176.39.

LEHIGH COAL AND NAVIGATION COMPANY.—By act of March 20, 1818, Josiah White, George F. A. Hants and Erskine Hazard were authorized, with the powers of an incorporated company, to improve the Lehigh river. In 1822 they were regularly incorporated with the above title. The amount expended in construction up to 1828 was estimated at $1,611,-402,63.

THE LANCASTER TURNPIKE.—The Lanaster Turnpike was begun in the year 1792 and was finished in 1794, at an expense $465,000. A continuous line of turnpikes was afterwards constructed, in connection with this road, which extended from Trenton, New Jersey, to Steubenville, on the Ohio river, a

distance of three hundred and forty-three miles. Between 1792 and 1828 one hundred and sixty-eight turnpike companies were incorporated. Of these one hundred and two went into operation, and constructed nearly two thousand three hundred and eighty miles of road, at an estimated cost of $8,431,059.50. As a rule these companies were not successful as financial enterprises, though they conferred an inestimable benefit upon the farmers in the interior of the state. One writer calculates that "the reduction in the expense of transportation, added to the increased value of the lands adjacent to the great turnpikes leading from Philadelphia, Pittsburgh, Erie and Tioga, have amounted to a sum which, at the lowest estimate, exceeds the cost of constructing, not only these roads, but of all the turnpikes in the state collectively."

BRIDGE COMPANIES.—Before the year 1828 sixty-one bridge companies had been incorporated and forty-nine bridges had been constructed, at a cost of about $2,560,000. The Schuylkill permanent bridge was erected by a company incorporated in the year 1798, at a cost of $300,000. In 1816–17 a bridge, suspended from iron wires, was built over the falls of Schuylkill, near Philadelphia. The Lancaster bridge was composed of one arch, the cord of which was three hundred and forty-eight feet six inches. These comprise the most important works undertaken before the great outbreak of state activity in 1826. From 1791 to 1828 $22,010,554.68 had been expended on roads, bridges and inland navigation, as follows:

Canals & railroads, including state works	$11,019,495 18
One hundred and two turnpike roads....	8,431,059 50
Forty-nine bridges	2,560,000 00
Total.....	$22,010,554 68

It was evident by this time that a large and extensive system of communication with the interior of the state was necessary. A glance at a map of Pennsylvania will show that the course and direction of the valleys and mountain ranges would naturally tend to throw the agricultural products of the interior out of the state. The Susquehanna and Ohio rivers drew off the produce of the soil on the west and south, and the direction of the valleys towards the northeast had the same natural tendency. The Alleghany mountains formed almost a complete barrier to communication between the eastern and western parts of the state. The topography of the state made necessary the construction of an elaborate system of internal communication. This fact, together with the speculative spirit of the time, finally resulted in the policy of constructing the internal improvements at the public expense, and, as a further consequence, state bankruptcy and a heavy burden of taxation. Between the years 1803 and 1822 the state subscribed for stock in certain enterprises as follows:

Fifty-six turnpike companies.....	$1,861,542 00
Twelve bridge companies.....	382,000 00
Three canal & lock navigation companies	130,000 00
Total par value.....	$2,373,542 00

THE PUBLIC IMPROVEMENT SOCIETY.—Enough had been done by the state to create a precedent and to whet the popular desire. The public clamor and demand for internal improvement received its first recognition in the society for the promotion of internal improvements, which was formed in Philadelphia in the autumn of 1824. It was composed of about fifty citizens. They subscribed one hundred

dollars each and received donations from various coal companies and other corporations. An agent was sent to Europe to enquire into the existing systems of transportation. On his return he made an elaborate report, recommending the adoption of canals.

THE CANAL CONVENTION.—In August, 1825, a canal convention was called at Harrisburg. One hundred and thirteen representatives from forty-six counties were present. The feeling in favor of the undertaking was by no means unanimous. All the members from Bedford, Cumberland, Franklin, Lancaster, Northampton, Tioga and York counties were opposed. Those representing Berks, Chester, Lebanon and Lehigh were divided. The objections urged were, that the scheme was impracticable; that the resources of the state were inadequate; that it would require oppressive taxation; and that, if completed, the advantages would be unequal in the various sections of the state. In the end the progressives were in the majority, and resolutions were passed expressing the sense of the convention in favor of undertaking, at the public expense, a system of communication from the Susquehanna to the Ohio rivers and from thence to Lake Erie. A resolution was passed affirming that the application of the resources of the state was not to be regarded as an expenditure, but rather as a beneficial investment. They did not explain how the state was to raise money to invest. Taxes were not expected, as will be seen later, therefore the state had to borrow the money before it could invest it. Another resolution was to the effect that "all local objects tending to a diffusive and unconnected application of the public means,

ought, for the present, to yield, so as to allow an undivided exertion of the public strength in this great undertaking, which is essential to its speedy and successful prosecution." On these resolutions eighty-seven voted in the affirmative and twenty-six negatively. In deference to public opinion and the advice of this respectable body, the legislature, in 1826, passed an act providing for the construction of the Pennsylvania canal at the expense of the commonwealth.

The State Works.

The Canal Commissioners.—By act of 11th of April, 1825, the governor was required to appoint a board of five canal commissioners, which was increased to nine in the following year. The act of March 27, 1824, appointing a board of commissioners on internal improvements was repealed. Their duty was to examine, consider and adopt such measures as they thought necessary preparatory to the establishment of a system of communication between the eastern and western parts of the state. They were authorized to survey routes as follows: One from Philadelphia through Chester and Lancaster counties, and thence by the west branch of the Susquehanna to the Alleghany river and Pittsburg; one from Philadelphia by the Juniata to Pittsburg, and from thence to Lake Erie; one through Cumberland and Franklin counties to the Potomac river; one by the Conococheague or Monocacy and Conewago rivers to the Susquehanna; finally, they were to examine the best route through the county of Bedford to connect the route of the proposed Chesapeake and Ohio canal with

the Juniata route. They were instructed to cause accurate charts and maps to be made; to adopt and recommend proper plans, calculations and estimates. They were to recommend plans for the establishment of a canal fund and, eventually, to report to the governor of the state. The first report was presented to the governor December 23, 1826. The surveys, according to the act of April 11, 1825, were all made, with the exception of two routes; one from Philadelphia through Lancaster and Chester counties to the Susquehanna; the other to connect the line of the proposed Chesapeake and Ohio canal with the Juniata route.

THE PENNSYLVANIA CANAL.—By act of February 25, 1826, the commissioners were empowered to contract for a canal at the expense of the state, to be termed the Pennsylvania Canal. The route was to extend from the river Swatara at, or near, Middletown, to the east bank of the Susquehanna opposite the mouth of the Juniata; and from Pittsburg to the mouth of the Kiskiminitas creek; also, to construct a navigable feeder from French creek to the summit level at Conneaut lake, and to survey and locate a route from thence to lake Erie. By this same act $300,000 was appropriated to be applied by the commissioners in executing these plans. They were to report annually.

THE INTERNAL IMPROVEMENT FUND.—On the 10th of March, 1826, William Strickland, who went abroad as the agent of the Society for the Promotion of Internal Improvements, was appointed engineer in the service of the board. The contractors and workmen began operations in August, 1825. The first step having

been taken in the great enterprise, the next was easy. In April, 1826, the Internal Improvement Fund act was passed. The secretary of the commonwealth, the auditor general, and the state treasurer were made commissioners of the fund, which was to be used for the purpose of paying interest, purchasing, or reimbursing the principal of all loans contracted for defraying the expense of constructing the Pennsylvania canal. The sources of this fund were the following: All appropriations thereto from the legislature of the state or from Congress, or donations from corporations and individuals; the state treasurer was authorized to pay to the commissioners of the fund, during the year 1826, such amounts taken from the receipts from duties on auctions as might be necessary to pay interest or loans authorized during the year; after December 1st, 1826, the dividends accruing to the state on the canal, road and bridge stock owned by the commonwealth, were to be turned over to the fund, as well as the tolls taken on the canal and the net proceeds of all escheats. This act fairly inaugurates Pennsylvania's financial disgrace. The following brief view of the working of the system undertaken by the state will demonstrate sufficiently, without need of comment, the recklessness and ignorance of the public men of that time.

Cost, Revenues and Expenditure on the Public Works.—By December, 1830, the state of the public works was as follows: Four hundred and seventeen miles of canals had been completed; five hundred and twelve and one-half miles were projected and under way; one hundred and twenty miles of railroad were

projected and under way. By the year 1835 the state had borrowed and expended for public improvements the sum of $19,332,967.64. Up to this year the tolls taken on the various branches amounted to $1,261,730.28, an average of $210,288.38 per annum: a very inadequate return for the money invested, as is evident. Nevertheless it was thought that in fifteen or twenty years the revenue from the public works would pay off the entire debt contracted for their construction and afford a fund for the support of government and the public schools. With this childish lack of foresight is to be found an overbearing complacency. "It has always been one of the sources of honorable pride among the citizens of Pennsylvania, that the internal improvements, though not always of the most judicious and profitable kind, are more extensive than those of any of her sister states; that they have been spread through almost every part of her vast and fertile country, and that they have been accomplished by the joint and concurrent contributions of her liberal legislature and her public-spirited citizens."[1] Pennsylvania's citizens were, no doubt, public-spirited, and the legislature generous, but the result was in no sense a source of honorable pride. Mathew Carey says, "Every person who has at heart the honor of Pennsylvania, must feel proud that she rises to a height which has never been equalled in any part of the world; as no nation, ancient or modern, ever expended so much money, on such vast improvements *in the same space of time.*"

[1] From 1822 to 1832 the total expenditure for internal improvements amounted to $25,919,448, of which $10,400,000 was contributed by individual subscription.—*Mathew Carey, Brief View of the Internal Improvements in Pennsylvania.*

The italics are Mr. Carey's. Generosity on borrowed money is easy and popular, but hardly a source of honest pride. In later years we notice a more humble tone.

SALE OF THE PUBLIC WORKS.—In 1840 the state had become so deeply involved, by reason of the expenditure on the public works, that bankruptcy was inevitable. There was a complete revolution of public opinion. The legislature was frequently petitioned for the sale of the public works. Always sensitive to the sound of the public voice, it hastened to obey. By the act of April 29th, 1844, the railroad extending from Philadelphia to Columbia, and the eastern division of the Pennsylvania canal, extending from Columbia to its junction with the Juniata division; the Portage railroad from Hollidaysburg to Johnstown, and the western division of the Pennsylvania canal from Johnstown to Pittsburg, were offered for sale for the sum of $20,000,000. This amount was to form the capital stock of a company to be incorporated under the title of the Pennsylvania Canal and Railroad Company. Commissioners were appointed, who were to offer for sale the stock of this company, advertising it in the New York, Boston, Philadelphia, Baltimore, Washington, Pittsburg and Harrisburg papers. Section 30 of this act provided that the citizens of the state were to vote on the sale of the main line. At the election in October of the same year the people gave a majority of thirty thousand in favor of the sale. At the time fixed for the sale there were no bids, though the auction was held for forty days. Petitions were again sent to the legislature, but the ways and

means committee of the house reported adversely to any further action at that time. In 1854 a select committee of the senate reported that the cost, revenue and expenditure of the public works, from the date of their opening in 1830 to 1853, had been as follows:

Original cost	$32,542,267 77
Running expenses	19,499,857 03
Interest on internal improvement loans	35,157,796 13
Floating debt	1,223,429 00
Sundry appropriations	1,324,418 80
Total expenditure	$89,747,768 73
From which deduct canal and R. R. tolls	25,342,020 47
Total cost	$64,405,748 26

The returns from the canal and railroad tolls, in order to realize the expectations of the founders of the system of internal improvements and the general public, must not only cover the interest paid on internal improvement loans, the expenses of conducting the works, and repay the cost of construction, but afford a surplus fund for the support of government and the maintenance of education. The revenues from canal and railroad tolls from 1830 to 1854 was $25,342,020.47; the operating expenses for the same length of time were $19,499,857.03, leaving a net revenue of $5,842,163.44—an average annual revenue of $243,423.47.[1] In 1835 the interest actually paid on the public debt amounted to $1,219,455.69, and it steadily increased until at the date of this report (1854) it was $2,076,288.13.

In public utterance touching the public works, we henceforward find a milder tone adopted. Instead of being a source of "honorable pride," we hear

[1] From 1845 to 1855 the average net revenue was $131,852.29 a year.

that "public opinion, correct policy, and sound morals demand a sale." The citizens of Pennsylvania found that spending borrowed money was much more glorious than repaying it.

The sale of the public works was at last effected in 1858. The authorizing act was passed on the 16th of May, 1857, and was not submitted to the people for ratification. The minimum price was $7,500,000! The third section of the act provided that the Pennsylvania Railroad Company (incorporated April 13th, 1846), should become the purchasers. They should pay, in addition to the purchase money, the sum of $1,500,000. The whole amount was to be paid in bonds of the said company at the rate of $100,000 a year until 1890, when the annual payment should be $1,000,000 until the debt was discharged.[1] Upon the execution and delivery of these bonds to the state treasurer, the Pennsylvania railroad, and the Harrisburg, Portsmouth, Mount Joy and Lancaster railroads were to be free from tonnage and freight taxes; the Pennsylvania Railroad Company was to

[1] When the Pennsylvania Railroad was incorporated in 1846, and by act of March 27th, 1848, a tax of five mills per mile was imposed on every ton of freight received at Harrisburg, Pittsburg, or intermediate points, and carried more than twenty miles. This tax was laid to prevent dangerous competition against the state works; after the sale of the public works the tax was no longer necessary. The legislature accepted a compromise proposed by the company, whereby the latter was to pay $360,000 annually, until 1890, in commutation of the tonnage tax, on the condition that the company should make a reduction in local freight rates equal to the tax chargeable on such freight. This is one of the best bargains which the Pennsylvania Railroad Company has made with the state of Pennsylvania. The "commutation of tonnage tax" is set down in the treasury reports at $460,000, but this includes the $100,000 bond which the company redeems every year until 1890. (See commutation of tonnage act, P. L. 1861, p. 88.)

be released from the payment of taxes for state purposes on its capital stock, bonds, dividends, or property. The proceeds of the sale were to be paid into the sinking fund, which had been established in 1849. The canal commissioners, with a view, perhaps, rather to their own interests than the public good, were violently opposed to the sale. Believing that a sale under the above act would be unconstitutional, they began proceedings in the supreme court of the state for an injunction. The court decided that a sale under the proviso in the third section of the act of May 16th, 1857 (requiring the Pennsylvania railroad to pay $1,500,000 more than any other bidder, and releasing the company from state taxes), was unconstitutional, and granted an injunction forbidding the Pennsylvania Railroad Company to bid for the public works on those terms.[1] Nevertheless at the time fixed by the governor the auction was held, and the Pennsylvania Railroad Company became the purchasers.[2] The transfer was made on July 31st, 1857.

This sale reduced the extent of canals and railroads owned by the state from seven hundred and forty-seven to three hundred and forty-four miles.[3] In his annual message for 1857, Governor Pollock congratulated the people on the consummation of the sale and on their release from this distressing incubus. He further said:

---

[1] Report of the canal commissioners for 1857.

[2] For $7,500,000. The objectionable terms were omitted, and the company paid taxes as any other corporation, with the exception of the commutation of the tonnage tax.

[3] Report of the State Engineer for 1857, in Executive Documents for 1857.

"The reasons and policy that required and justified the sale of the one [portion of the public works] apply with equal force to the sale of the other. The propriety of separating the state from the care and control of the public works, is not only evident to all who have given the subject a candid and impartial consideration, but the necessity is clearly established by the history of their construction and management."

How different from the superior air of Mathew Carey, and the towering eloquence of Governor Wolfe:

"The friends of the internal improvement policy may rest satisfied that the day is not far distant, when Pennsylvania, encouraged by the success which has attended her public improvements; their continually increasing productiveness; the overflowing treasury, for which she will be indebted to the redundent revenue derived from that source; and threatened as she is, on all sides to be deprived of that commerce which the God of nature seems to have destined for her use, will, in her own defence, force the waters of Lake Erie to mingle with those of the Alleghany and the Delaware; the Ohio canal to become tributary to her own extensive improvements; the waters of the Cayuga and Seneca lakes, by means of the Elmira canal, to unite with those of the Susquehanna; and will cause the wilderness counties, drained by the improvements by which all this will be accomplished, to smile and blossom as the rose."[1]

By act of April 21st, 1858, the governor was authorized to sell the balance of the public works to the Sunbury and Erie Railroad Company for the sum of $3,500,000. The great undertaking which had cost the state between seventy-five and eighty millions of dollars was sold for $11,000,000 on easy credit. In the following year the canal commission and the office of state engineer were abolished. The state was now freed from business interests and could devote all its energies to the reduction of a debt of over $38,000,000, of which amount nearly every dollar was incurred by reason of the state works.[2]

---

[1] Governor's Message in House Journal, 1833–4.

[2] Of this sum nearly one-half, $18,166,103.80, was over due.

Without declaring against the belief that industrial enterprise is a legitimate function of the state, it may be remarked that Pennsylvania's activity in this direction was a failure for the same reasons which are brought forward at the present time against the theory of state enterprise.

There is every reason to believe that the state works in Pennsylvania, during the last sixteen years of their history, were maintained as an instrument of political corruption, which was invaluable to the political party in power.

II.

THE STATE DEBT.

THE STATE DEBT PREVIOUS TO 1844.—The funded debt was begun in 1821. Before this year the state finances were in a quiet and prosperous condition.

In 1804 the liabilities of the state were the following:

	£.	s.	d.
Bills of credit, unredeemed, issue of 1781..	3,623	12	7
Bills of credit, unredeemed, issue of 1785..	2,778	11	7
Island money.....	521	15	0
Total.....	6,923	19	2
Dollar money unredeemed.....	$2,120	33	
Interest and principal of unfunded debt, issued from 1792 until 1804.....	540	09	
Total.....	$2,660	42	

By an act of April 4th, 1805, such outstanding loan certificates as were not presented for payment

before the second Tuesday in January, 1806, were declared forever irredeemable. In 1805 and 1806 of this indebtedness $23,264.68 was redeemed, and the state was practically out of debt. To offset the small balance, most of which was never presented for payment, the treasury assets in 1806 amounted to $1,431,916.70, invested in United States, bank and turnpike stock, which returned $107,469.97 interest. For several years the state had no debt charges whatever. In 1814 $300,000 was borrowed to pay expenses incurred by the state in the war of 1812. From 1814 to 1820, inclusive, the state borrowed $1,230,000, of which about $800,000 was repaid with interest. In 1821 the interest charge on the unfunded debt was $27,824.99. With the increase of the private undertakings engaged in constructing roads, bridges and canals, the practice had arisen of encouraging them by large contributions from the state treasury. During the war of 1812 the state had built roads for the transportation of troops, and this, doubtless, suggested the great state undertakings of the next decade.[1] At any rate the practice had strengthened into a precedent, and by the year 1815 had assumed dangerous proportions. From 1815 until 1820, inclusive, the state had expended, by way of donations and subscriptions, an average amount of $219,483.56 a year. As no provision was made for this increased expenditure it was finally decided to raise additional revenue by a funded loan. By act of April 2d, 1821 the governor was authorized to borrow $1,000,000 at five per cent.,

[1]Letter to the members of the Pennsylvania legislature by Publius, page 5.

redeemable in twenty years.[1] This raised the interest payment in 1822 to $80,300. In the two following years there was a reduction of principal amounting to $41,000, but after 1824 there was no reimbursement until 1835.

In 1823 a conservative committee of ways and means in the lower house regretted that Pennsylvania had been committed to a system of borrowing. They looked forward with anxiety to a time when the state should be free from debt, and emphasized the dilemma which was offered by a policy of spending more than the legitimate resources of the treasury supplied: the alternative was taxation or a state debt. Their advice was as wise as Micawber's, and their action as inconsistent. They believed "that neither our form of government, nor the habits or disposition of our citizens are calculated for either debt or taxation; but if one or the other must be adopted, they would prefer taxes rather than debt." This was admirable enough, but when they came to recommend ways and means, they advised the passage of a law authorizing the governor to borrow $100,000 from the Philadelphia Bank and to renew the temporary loans with the Bank of Pennsylvania as they fell

[1] At this time the commonwealth owned the following stock:

Twenty-five hundred shares in the Bank of Pennsylvania, subscribed by the state on its incorporation (3 Smith's laws of Pennsylvania, page 97), at four hundred dollars per share	$1,000,000 00
Twelve hundred and fifty do., subscribed in 1810	500,000 00
Fifty-two hundred and thirty-three shares in the Philadelphia bank, at one hundred dollars per share	523,000 00
Seventeen hundred and eight shares in the Farmers and Mechanics' Bank at fifty dollars per share	85,400 00
Turnpike stock	1,457,115 34
Bridge stock	419,000 00
	$3,984,515 34

due, and to make "such other loans as the exigencies of the state may require, * * * for any time not exceeding four years." The reason given for this course was that the scarcity of circulating medium in the interior of the state would make the collection of taxes difficult, if not impossible. For the five years following the date of this report, the finances of the state were in a prosperous condition. In 1827 the house committee of ways and means reported that there had been a steady increase in the various permanent sources of revenue, that they would suffice for the general expenses of government, and that the surplus in a few years would redeem the public debt, which had increased in 1826 to $2,457,915.44. Of this amount $380,000 was due in 1834, $220,000 in 1839, $930,000 in 1841, $300,000 in 1846, $150,000 in 1849, and $160,000 (due to various county banks) was redeemable at option before 1835 or 1837. This made a total funded debt of $2,140,000, leaving a balance of $317,915.44, which was incurred for sundry appropriations for internal improvements, for subscriptions to turnpike and bridge stock, and the Union Canal Company, and donations to colleges, penitentiaries, etc. To offset these liabilities, the committee claimed that the vested capital of the state (bank, turnpike, and bridge stock) was worth $4,522,134,40. This committee estimated the revenue needed for the internal improvement fund, for the coming year, at $1,416,107.15. Of this amount they proposed to raise $500,000 by a loan from the Bank of Pennsylvania, with which they proposed to subscribe for twelve hundred and fifty shares of the reserved stock of the bank, at par,[1] upon which $110,000 was

[1]By authority of act of Feb. 14th, 1810. P. L. 1810, p. 27.

to be raised by an advance sale. This made $610,000. A further loan of $500,000 was to be obtained from the Bank of Pennsylvania, at five per cent., redeemable in 1853. On this loan a premium of 3.625 per cent would be paid, "by which measure the price of the stock will be prevented from depression, and the bank will be enabled to continue to make dividends at six per cent., and will, moreover, promote the mutual interest of the state and the bank, which are so intimately blended that any measure that will benefit the one, cannot fail to benefit the other." The premiums were estimated at $36,000, making a total of $1,146,000 to be raised by this ingenious scheme. The balance of $370,107.15 was to be supplied by legitimate sources of revenue; auction duties, dividends on bank stock, and a proposed tax on lottery brokers. These suggestions were never carried out, but they are recited here because they give a good idea of the methods of financiering which were popular at that time. The guiding principle was very simple: Adopt any makeshift rather than impose taxes.

Between 1827 and 1830, over $9,000,000, including temporary loans, was borrowed. In 1830 the house committee of ways and means recommended that $4,490,000 should be borrowed to pay off all temporary loans, and to provide for the prosecution of the public works This recommendation was carried out, and in this year the receipts at the treasury from loans were $5,147,634.46. The committee, in view of the rapidly increasing interest charge, promised to recommend a system of taxation which proved ridicuously inadequate. In the next report bills were presented which imposed a tax of one

mill on the dollar upon personal property not subject to county rates and levies, and an increase of one mill on the dollar on all county rates and levies; they became law by acts of March 25th, 1831.

In 1831 the funded debt amounted to $12,512,520.48, and the interest to $616,850. The balance of revenue, beyond ordinary expenses of government, was $420,000, leaving a deficiency in the interest account of $191,850. The committee of ways and means presented the above-mentioned tax bills and, in addition, an act imposing a tax upon coal, and one authorizing the canal commissioners to sell the surplus water of the canals. The coal tax was negatived in the house, on its second reading. Numerous petitions against its adoption were presented. The last measure also failed of adoption.

At this time there was an awakening to the danger of longer practicing these financial principles. Governor Wolfe, in his annual message for 1831, advised the legislature "that this mode of supplying the interest fund by premiums upon loans cannot be expected to continue, and would, under any circumstances, be too capricious and unsafe to be relied upon." How opposed the community was to legitimate sources of revenue, is evident from the governor's anxiety about the new tax laws. He assured himself that the people, when they realized that the credit of the state was in danger, would submit for a short time to the burdens of taxation. The necessity of the measure insured its justification, "but should it be otherwise, I have only to say, that the man who would prefer ephemeral popularity to the solid interests of his country, is unworthy of public confidence, and his claims to public favor are

certainly not to be envied." The tax laws of 1831 were only temporary measures. They were intended to supply an interest fund until the revenue from the public works was sufficient for this purpose, and they would have expired, by limitation, in five years, if they had not been repealed. From 1830 to 1836 the state increased its permanent debt by $15,718,402.88, yet no one called a halt. When we review the history of that period, it is so easy to see the goal to which this course was leading, that one can hardly understand that it was not plainly in view of every citizen of the state. We feel inclined to charge everyone connected with public affairs with a childish lack of foresight. It seems so evident at the present time that the state could not go on indefinitely paying the interest on its debt with the premiums realized on new loans, that we are surprised when the governor seriously protests against such a financial method. When the wild folly of repealing the state tax laws, and chartering the United States Bank of Pennsylvania was perpetrated, we are almost convinced that it was not childishness, but wilful criminality; it closed every possible loophole from financial disgrace. But if we feel called upon to comment upon the crisis in state finance, which culminated in 1842, we must remember that it was brought about through ignorance, rather than deliberate dishonesty. Speculation and hatred of all forms of direct taxation were the causes of the downfall of Pennsylvania's credit. In addition, it was not at all realized that a state debt, sooner or later, had to be paid, and by the taxpayers. When they were rudely awakened to this truth, they were as

a he learns that he cannot

candle flame.

In 1836 Pennsylvania's credit was at its best, and the speculative spirit was at fever heat. The United States debt was paid, credit everywhere was abundant and large sums of money were poured into the country for investment. As early as 1833 Pennsylvania state securities bore a premium of nine and ten per cent. In 1836, on the Philadelphia stock market, Camden and Amboy Railroad stock sold up to one hundred and forty-five dollars per share, and Schuylkill Navigation at one hundred and seventy-six dollars. In April of this year United States bank stock sold for one hundred and twenty-one dollars per share; Pennsylvania five per cent. bonds for one hundred and five dollars; Bank of North America for four hundred and fifty dollars and seventy-five cents; Bank of Pennsylvania for five hundred and eighteen dollars and seventy-five cents per share, and like prices for all sound and unsound investments.

"The abundant and cheap capital, here and abroad, of 1835–36, favored all the improvement enterprises. These enterprises were, however, in their nature, investments, returns from which could not be expected for a long period. In the meantime they locked up capital. It appears that labor and capital were withdrawn for a time from agriculture, and devoted to means of transportation. Wheat and flour were imported in 1836."[1]

It is hard to conceive of the feeling which existed at that time. "The ordinary and old-fashioned method of getting rich by increasing the values existing in society was abandoned as obsolete," says a writer in the *Christian Review*, for 1844.

"A man had nothing to do," he continues, "but borrow of a bank, give his note, buy up anything on which he could lay his hands, wait till the increase of the circulating medium had raised the price of his product, sell, borrow yet more on the credit which

[1] Sumner's Life of Jackson, p. 321.

his first speculation had established, and repeat the process as often as the times would allow. A young man who went to any of our large cities penniless was considered a blockhead if he did not report himself worth one or two hundred thousand dollars in a few years. Men of all professions were inflated with the mania. Lawyers, physicians, judges, clergymen, were soon enrolled among the number of operators, while the corps editorial, desiring a share in the universal prosperity, puffed assiduously at every extravagant project on the equitable condition that they should receive a reasonable share in the profits."

Speculative manias remind us how irrational and dishonest communities and individuals may become. The state of things during the decade between 1830 and 1840 is too well known to justify enlargement in this connection, but we must not forget that a community which has lost its head in speculation is made up of individual knaves and fools. Pennsylvania could never have followed the course which is being briefly outlined if the public, man by man, had been imbued with strict notions of private and public morality. The state's credit was wrecked by speculation and financial ignorance. It was never intended to break faith with the state creditors, but everyone's sense of obligation was somewhat dulled by the abuse of paper money and the over extension of credit and the necessary consequences. Even so sober a critic as Judge Curtis was able, in 1842,[1] to take an almost glowing view of the situation of the defaulting states. He would not have the creditors of the state of Mississippi press their claims too harshly. The planters were generous fellows, and would lend their last dollar to a comrade and await his convenience for its return. They were, therefore, outraged at being dunned for a trifle of $5,000,000. Judge Curtis recommended the creditors to

[1] North American Review, January, 1844.

wait until the planters had cooled down and had time to realize that a public obligation could not be treated in the same chivalrous manner as a private debt. This view of the case did not commend itself to the Rev. Sidney Smith and other foreign creditors of the "petty larceny and pick-pocket states." Mississippi was the only state which needed such an amusing apology. There is no evidence that the citizens of Pennsylvania were lacking in individual responsibility, but to stimulate their sense of corporate responsibility a debt of more than $40,000,000 was necessary. We need not be too surprised at this, because, at the present, it is very hard for a great many honest and intelligent people to realize that we collectively, as nation, state, or city, must be as honest and careful to husband our resources as we individually ought to be. The public works were undertaken, and the huge debt amassed, in answer to popular demand. The people had a perfect right to roll up this enormous debt if they were conscious that it had to be paid, but they did not realize this for a long time. They thought the state could borrow itself out of debt. With an entire absence of correct ideas of taxation, they could only have looked forward to payment from the canal tolls, or by premiums on loans made to the commonwealth or to repudiation. To the lasting honor of the people and legislators, repudiation was hardly mentioned. Of the other alternatives, one was about as substantial as the other. From 1827 to 1835 $24,927,764 had been borrowed and expended on the public works; an average of $3,115,970.50 a year. During the same period the canal tolls returned only $1,260,263, or $157,532.87 a year. From 1830 to 1835 the prem-

iums on loans averaged $215,084. In 1835, the year before the tax laws of 1831 were repealed, and the United States Bank of Pennsylvania was chartered, the revenue from canal tolls amounted to $684,357.77. The interest paid on the state debt for this year amounted to $1,555,200. The ordinary revenue for 1835, deducting loans, was $1,643,923.21; barely enough to meet the interest. In this year taxes contributed $562,690. This was the condition of the state's finances just before the famous legislation of 1836.

THE ACT OF FEBRUARY 18TH, 1836.—The charter of the Bank of the United States expired on March 3d, 1836. In November, 1835, it was suggested that a charter should be obtained from the legislature of Pennsylvania. By act of February 18th, 1836, a charter was granted which extended the corporate existence of the bank for forty years. The institution was then known as the United States Bank of Pennsylvania. After obtaining a state charter the bank went deeply into cotton speculation, and, owing to the grossest mismanagement, failed three times in five years, namely: 1837, 1839 and 1841, when its ruin was complete. The influence of the bank on the community was pernicious from the beginning to the end of its career as a state institution. It has been charged that the charter was passed with the aid of extensive bribery, but it is impossible, as yet, to substantiate any definite charges. The bank did a great deal to corrupt the financial system of the state; in fact it precipitated the crisis of 1842, and was its immediate cause. Mr. Sumner characterizes the legislation of 1836 as follows:

The act of the Pennsylvania Legislature by which the United States Bank of Pennsylvania was chartered, is, on its face, a piece of corrupt legislation. Its corruption was addressed to the people of the state, not to private individuals. It comprised three projects in an obvious, log-rolling combination: remission of taxes, public improvements and bank charter."[1]

If the corruption contained in this act was addressed to the people of the state they did not respond unanimously, for during its passage through the senate sixty-eight petitions and proceedings of meetings favoring the legislation were presented to that body, and one hundred and sixty-four were presented against the same. But the scheme was an obviously log-rolling one, as section six of the act in question shows.

"In consideration of the privileges granted by this act and in lieu of all taxes on dividends," the bank was to pay to the state $2,000,000 at thirty days' notice on the demand of the governor. The bank was also obliged to advance on permanent loan a sum or sums amounting to $6,000,000, in return for which the state was to issue a negotiable certificate of stock, reimbursable in 1868, bearing interest at four or five per cent. If the interest was five per cent. the bank was compelled to pay a premium of ten per cent.; if the interest was four per cent., the loan might be taken at par. Further, the bank was obliged to advance, whenever required by law, any amount not exceeding $1,000,000 a year at four per cent. as a temporary loan. As a further consideration, the bank was to pay $500,000 to the commonwealth on the fifteenth of June, 1836, and on the fifteenth of June annually thereafter $100,000 for common school purposes. Moreover, the corporation

[1]Sumner's Life of Jackson, p. 338.

was to subscribe, when demanded, to the stock of the Baltimore and Ohio Railroad $200,000; to the Elmira and Williamsport Railroad, $200,000; to the Monongahela Navigation Company, $100,000; to the Cumberland Valley Railroad, $100,000; to the Warren and Pine Grove, $20,000, and to five turnpike companies, $55,000, making a total liability of $10,175,000, which was deemed an equivalent for the charter and privileges which this act conveyed. This iniquitous legislation also repealed the acts of March 21st, 1831, which provided for a state tax on personal property and an increase of the county rates and levies for the use of the commonwealth.

THE REVENUE IN 1837.—From 1836 to 1840 the bank paid, in five installments, $3,000,000 in charter premiums. The act of February 18th, 1836, left Pennsylvania again almost taxless. In 1837 the treasury report showed an income of $6,069,276.47. The main items were:

Temporary loans	$175,000 00
Canal and railroad tolls	975,350 47
United States surplus revenue	2,867,514 78
Bank of United States premium	1,100,000 00
Other bank premiums	190,250 00
Taxes and licenses	437,055 75
Other revenue	324,105 45
Total revenue	$6,069,276 47

The revenue this year was nearly doubled, owing to the distribution of the surplus revenue and the charter premium from the Bank of the United States.

UNITED STATES SURPLUS REVENUE.—The state treasurer was authorized by act of December 22d, 1836, to receive the money to which the state was

entitled under act of congress, June 23d, 1836, and to execute certificates of deposit therefor, pledging the faith of the commonwealth for its repayment. The amount with which Pennsylvania was credited was $3,823,353. The first quarterly payment was made on January 4th, 1837, the treasury department at Washington having been duly notified that the state treasurer was authorized to receive the same. Forms of receipt and requisition for payment to the United States were drawn up, and everyone went through the farce with becoming gravity. By act of February 27th, 1837, the amounts which were originally paid by drafts on the Girard bank ($750,000), the Moyamensing bank ($80,838.26), the Merchants and Manufacturers' Bank, at Pittsburg ($125,000), remained in these banks, bearing interest at the rate of five per cent. per annum. Whatever was paid to the state afterwards was ordered to be deposited with the Bank of Pennsylvania, and the Bank of Philadelphia, at the rate of six per cent per annum. All deposits were payable at thirty days' notice. The interest was to be devoted to the common school fund. Further legislation authorized the treasury to use an amount of the surplus revenue, not exceeding $150,000, to make up a deficiency in the semi-annual interest due in February. Three payments were made to the state, amounting to $2,867,514.78. In 1837 the state debt amounted to $28,058,139.52, and the interest account to $1,216,185.43. Deducting the extraordinary items of revenue, surplus and bank charter, the state's income in this year would only have been $2,101,761.69, and the expenditure was $4,173.940.26—not much above the average.

THE STATE WITHOUT RESOURCES.—The governor's message reported the financial condition of the commonwealth to be "most cheering." He referred to the balance in the treasury of $2,220,135. By November 1st, 1838, this balance had been reduced to $99,359.30. The estimated receipts, including balance, for the year ending October 31st, 1839, amounted to $2,223,459.30. The expenditures were estimated at $5,014,713.69, making a deficit of nearly three million dollars. The treasurer reported that all incidental revenue had been expended, and that henceforth the treasury would have to depend on its ordinary resources. The only hope was in the canal tolls, but these had already been too heavily discounted. The treasurer recommended taxation, but in a most half-hearted and apologetic way. If the legislature saw fit to adopt this method of meeting the growing deficit, he advised the exemption of the agricultural interest, which was already, he thought, sufficiently burdened with the county rates and levies, and the taxation of "stocks and money, from which a handsome revenue might be raised, without injury or embarrassment to those concerned." The committee of ways and means reported that the finances of the state necessitated a resort to taxation or limited appropriations. Reasons "sufficiently cogent" determined the committee against taxation, and, in view of the future increase of revenue from the public works, they decided in favor of borrowing. On their own showing the ordinary revenues, from 1836 to 1838, fell short of the ordinary expenditures by $2,671,088.92, and this deficit had only been met by the lucky windfall of 1837—surplus revenue and bank bonus.

They estimated the deficit for 1839 at $910,385.78, recommended the expenditure of $5,000,000 on the public works, and advised that enough be borrowed to meet these various demands. The legislature, accordingly, authorized the governor to contract permanent loans amounting to $6,154,000, in addition to temporary loans, and with these resources various obligations, amounting to $2,204,750.08, were discharged. The debt now amounted to $32,077,518. The actual deficit for 1839 was $1,087,743.63; the ordinary revenue amounted to $1,621,119.84 and the interest on the state debt to $1,296,010.24. The total ordinary expenditure was $2,708,863.47. On the second of July the legislature passed a resolution constituting the secretary of the commonwealth, the state treasurer, and the auditor general, a commission, on behalf of the state, to inquire whether the interest in August 1837, February 1838 and July 1839 had been paid in legal money. If payment had been made in promissory notes, or any currency of less value than legal money, the governor was authorized to draw warrants on the treasury for the payment of the difference. This resolution provided that no payment should be made to any bank in the commonwealth which did not redeem its notes in lawful money when the interest was due. We may not always be able to understand the reasons for the inordinate state pride which every one connected with the government proclaimed so loudly at this time, but the above resolution, and future financial measures, compel us to believe that it was honest and sincere.

In 1839 loans, aggregating $6,309,750, were paid into the treasury. On two of these loans, amounting

to $1,670,000, the premiums were only a trifle over $2,000. At this time the credit of the state was considered by official authority to be unimpaired. The difficulty of obtaining loans was said to be due to the scarcity of money, and this partly explained the low premium which was paid. When the stock of the United States Bank was selling at one hundred and twenty-three dollars per share, and paying a dividend of eight per cent., Pennsylvania five per cent. bonds sold for ninety-eight and ninety-nine. The state and the bank had suffered losses together, but the former had retained more of public confidence than the latter. Considering the confidence with which the state's securities were regarded, and in view of the market prices of other stocks at this time, it cannot be admitted that the state credit was unimpaired, even though five per cent. was a low rate of interest in 1839. When the bank failed in October, 1839, the state was left practically without resources, owing to the repeal of the tax laws. Then, for the first time, do we find evidence of sound opinion regarding the finances of the state.

THE GOVERNOR RECOMMENDS TAXATION.—Governor Porter's message for 1840 is the first utterance worthy of a statesmen or a financier. In the previous year he had been as favorable to loose expenditure and reckless borrowing as any of his predecessors. In the face of impending disaster he was the only public man who had the courage to face the crisis. In the message referred to, he reviews the financial situation and sketches the history of banking in the state and in the United States. He recommended that certain measures should be adopted which would curtail the power of the banks

to work such harm, in the future, to the interests of the community as they had in the past. Among these recommendations was an inquiry into the condition of the banks, with a view to the resumption of specie payments; a bank commission; the passage of a law compelling all the banks of the commonwealth to receive each other's notes at par as long as the respective banks continued to redeem their notes in specie; that the directors of banks should be held personally liable for the payment of notes issued under their direction; that no bank should be allowed to issue notes of a less denomination than ten dollars; that a total separation of the state from the banking institutions should take place, and that a law should be passed authorizing the sale of the stock held by the state in the various banks. He is the first public man to emphasize the fact that, if ever the dreams of the founders of the system of public improvements were to be realized, it would be from the net revenue thereof, not from the gross. From 1835 to 1839, the annual net revenue from the public works had only been $139,-697.43. In 1838 the amount received from tolls and motive power did not cover repairs and running expenses by $378,628.07. It had been the custom to give the gross amount of tolls as if the public works yielded that revenue clear of all expenses, The governor apologized for calling attention to this fact, and hastened to assure the legislature that he was no enemy to the public works; on the contrary, he urged their completion at any cost. His advice in this respect was followed, and in this year $4,338,310 was borrowed, and $5,152,609.72, including interest, was paid out by the commissioners of the internal

improvement fund. Nevertheless, it is something to find a man in public life who recognized the distinction between gross and net income. The last revenue bill of the session of 1839 was sent to the governor after the legislature had adjourned, and he felt compelled to sign it. Otherwise work on the public improvements would have stopped. The usual advertisements of the loan brought no bidders, nor did personal appeals to the city banks meet with better success. The governor was no friend of the United States Bank, but he was compelled to take the loan authorized from that institution. In 1840 even that resource was gone.[1] In his report for this year the governor says:

"The question is presented to the consideration of the legislature, how is the money to be procured to pay the interest on the state debt, and to meet the loans falling due, and to defray the other necessary expenditures of the commonwealth? * * * The sum of $2,000,000 must be obtained for the ensuing year and perhaps an equal amount for the year following. * * * My own deliberate opinion is, that resort to taxation, provided that it shall be so regulated as to bear with as little hardship as possible on the people, is the only possible remedy to extricate the commonwealth from the embarrassments by which we find her surrounded.

"In expressing my own opinion in favor of a resort to taxation, I do it with no considerable degree of reluctance; but it must be obvious to every citizen of the commonwealth, that his house, his farm, and his property are all pledged beyond possibility of release, to the ultimate payment of the state debt, and the interest thereon accruing, agreeably to the stipulation of the loan holders. * * * It is a reproach on the people of Pennsylvania to suppose they can be longer kept in the dark in regard to the situation in which we find them. All they want to know to insure a ready compliance with this indispensable call upon their patriotism is to know the necessity of the measure.

---

[1]The bank had failed for the second time in October, 1839. When it failed for the last time, in 1841, the state lost $280,000, which was on deposit.

"The time for evasion is gone; the public mind has been too long fed with miserable expedients.

"The private individual would tax his industry and his property, to the utmost, to pay off a debt and the interest upon it, that was consuming the avails of his industry and his substance. So also, it seems to me, should the representatives of a wise and judicious people. Taxation would pay the interest; it would eventually constitute a sinking fund to pay off the principal of the state debt, and should be continued till the income of the public improvements would render longer taxation unnecessary."

This part of the governor's message was referred to the committee on ways and means, which produced a report embodying ideas even more significant of a change of financial policy. Their first recommendation was their worst. They advised taxation, but as a means of maintaining the state's credit in order to be able to borrow upon favorable terms. The committee, evidently, did not regard taxation as a permanent means of raising revenue. They reverted to the policy of 1831, and, apart from sustaining the state's credit, held that taxes should only be levied until the public works returned enough to supply the needs of the state: and they were entirely right on this last point. Apart from socio-political reasons, taxation is only meant to supply such a part of the needs of a state as is not satisfied by the state's corporate resources—if such exist; if not, taxation must supply the whole revenue.[1]

Before it became evident that the public works were a failure as a state enterprise, taxation only held a supplementary place in the minds of the people and legislature. We shall presently see how large a part of the revenue before 1840 had been made up from sources other than taxation. We need

[1]Helferich in Schönberg's Handbuch der Politischen Oekonomie, vol. 2, p. 111, 1st. ed.

not be surprised to find that a committee of ways and means, even when they were face to face with bankruptcy, did not regard taxes with favor. Considering the revenue which *might* arise from the public works, they were quite right in regarding taxation as a temporary make-shift. But a Pennsylvanian always lost his common sense when the public works were mentioned, and the public men lost their wits—or pretended to—more completely than anyone else. It was one of the most marked influences of the public works, that the people were infected with an intense conviction that, in the near future, they would return enough revenue to pay the cost of their construction, with interest, to support the common schools, to provide for the expenses of government, and, in some mysterious way, to convert the state into a paradise and make her "smile and blossom as the rose."

They were not convinced that none of these things could be and that the public welfare demanded the abandonment of state enterprises, or a more rational management of them, until it was too late to save the state's credit. However, this committee viewed the permanency of the taxation which they recommended, their advice was thoroughly sound, and ably seconded that of the governor. They held that it was "indispensable to the restoration and permanent establishment of the public credit, to create a sinking fund by appropriating an annual sum, which should be applied to the payment of the interest and extinguishment of the principal of the public debt." They advised the withdrawal of the state from the banking institutions in which it was interested and the sale of its stock. "Govern-

ments," they said, "are instituted for certain purposes, and not as a corporate or artificial person, to follow any and every pursuit which an individual may properly pursue, and which might be profitable."

The committee went further than the governor in recommending the sale of everything pertaining to the motive power upon the state railroads, and throwing them open to individual enterprise and competition. They advised that whatever scheme of taxation might be adopted, the agricultural interest should be exempted from taxation for state purposes. The report closed with this very wise exhortation:

"And in all our future legislation let us not again rely, for the payment of any debt we may create, upon any promise, however specious, which has proved itself to be fallacious. Years may pass before we can gather from our public works sufficient revenue to pay the interest upon the money expended in their construction. Let not one additional dollar of state stock be created, to be thrown into foreign markets and sold at a depreciated value. Whenever a debt shall hereafter be made, let the legislature provide at once for its extinguishment, in principal and interest, by a tax upon the people. Thus the tax-gatherer will continually advise the people of the condition of the public debt, and they can always know whither they are going and may choose their own time at which to stop. They can never again be precipitated into a debt of $34,000,000 without, during the whole period of its creation, being made clearly acquainted with the progress the state was making, with fearfully rapid strides, to a condition of financial prostration, which if not arrested, would soon bring us into a condition from which recovery would be hopeless."

A Tax Law Passed in 1840.—The legislature was slow to respond to this fervent appeal. In June a law was passed imposing a tax of one mill on the stock of banks or other institutions making or declaring a profit; half a mill on certain personal property; a small tax on household furniture, pleasure carriages, watches, and a tax

on the salaries of officers of the state. It was estimated that these taxes would produce five or six hundred thousand dollars a year. In 1843 they brought in something over $33,000, and in 1842, $486,635.85. That the legislature had no idea of the seriousness of the crisis, or wilfully neglected to meet it, is evident from the fact that the expenditures in 1839 was $6,971,490, and the revenue, not including loans, was $1,899,551; the interest on the debt for that year was about $1,600,000. It was simple folly or dishonesty, therefore, to introduce tax laws, which, at the highest estimate, would only produce $600,000 a year. No matter what amount had been levied, the time was past for a creditable extrication of the state credit. The machinery for collection was imperfect; the people were averse to taxes and took advantage of every technicality to avoid payment, and returns were necessarily slow. The truth is that hardly any one really understood the condition of the state's finances. In 1844, when the people were aroused, they made a very different response to the tax laws of that year. But in 1840, after the evident failure of the new law, it was again necessary to resort to loans. By authority of various acts of this year the sum of $3,754,372.15 was borrowed, bringing the total stock debt at the end of the year to more than $36,000,000. The commissioners of the internal improvement fund reported that $102,145.95 had been expended in making good to the bondholders the difference between specie and bank notes. As this honorable course was pursued with borrowed money it merits less approval than if the difference had been drawn from the pockets of the taxpayers.

THE RELIEF NOTES.—In 1841 an act was passed over the governor's veto, authorizing him to borrow a sum amounting to not more than $3,-100,000. This was one of the worst pieces of legislation enacted during this period. The banks of the commonwealth, with certain exceptions, might subscribe to the stock created by this act, and were, thereupon, authorized to issue their notes to the amount of their respective subscriptions. When a holder of these notes presented them, in amounts not less than one hundred dollars, to the bank from which they were issued, he was entitled to an order on the auditor general for a certificate of an equal amount of stock created to redeem them. The banks were entitled to receive one per cent. annual interest on these notes until they were redeemed in state stock.[1] Upon the redemption of the notes by the bank which issued them and the transfer of the stock, the bank assumed the payment of the interest at five per cent., and was thereupon released from the tax on bank dividends. If the amount of interest paid by any bank exceeded the amount due for said tax, the difference was refunded by the state treasurer.[2] All notes issued under provision of this act were receivable for debts due the commonwealth, and might be reissued from the treasury and by the banks, and each bank issuing them was obliged to take them in payment of debts due to it.[3] These notes were issued by the authority, and upon the

[1]By a resolution of June 24th, 1842, interest at six per cent. was allowed on certain of these notes.

[2]This law reduced the receipts from the tax on bank dividends from $96,921.61 in 1841, to $44,950.50 in 1842, and to $25,529.76 in 1843.

[3]This clause was repealed by act of April 22nd, 1846.

credit, of the state; no provision was made for their redemption in amounts less than one hundred dollars; they were, therefore, state "bills of credit," and clearly unconstitutional.[1] This "deal" with the banks was recommended by the committee of ways and means, but their intention was to limit the power of issuing notes to the Bank of Pennsylvania, the entire issue of stock to be deposited with that institution as security for the notes. The scheme was recommended in order to prevent the state from appearing as a borrower at a time when its credit was so poor. The committee instanced, as a precedent, the issue of treasury notes by the United States in 1837.[2]

As was inevitable, these notes rapidly depreciated, and in 1842 were at a discount, varying from ten to twenty per cent.[3] The amount originally issued was $2,220,265, of which $867,087 were cancelled before December 1st, 1845. In 1849 an act was passed authorizing the banks to reissue relief notes, to the amount of their respective issues of 1841 which remained uncancelled, receiving as full compensation a sum equal to two per cent. of the amount of notes issued under this act. By 1850 the amount of all relief notes in circulation was $652,000; in 1860, $101,213; in 1886, $96,157, of which $40,810 were of the old issue, and the balance of the new.

INTEREST CERTIFICATES.—The interest for February, 1842, was met, but by the first of August the treasury was without funds, the state not being able to borrow the amount of $870,000,

[1]State Treas. Report, 1848. [2]Rep. Com. Ways and Means, 1841.

[3]In 1842 petitions were sent to the legislature from Northampton county praying that the legislature and officers of government should be paid in relief notes.

authorized by the act of July 27th, 1842. Accordingly, by authority of the same act, the state treasurer issued to the debt holders, certificates of stock, bearing interest at five per cent., for the amount of interest due, and payable on the first of August, 1843. This act also provides for the payment of a percentage of the claims of contractors and others who were engaged on the public works. These individuals were known in the annals of the state finance as "domestic creditors."[1] The county commissioners were instructed, when they collected the county rates and levies, to add a tax of one mill on the dollar on real and personal estate for the use of the commonwealth; this provision was intended to hold for one year. The governor was instructed to receive proposals for the sale of the public works, and to submit the same to the legislature. At the next interest period, February 1st, 1843, the resources of the treasury were inadequate to meet the demands upon it; provision was again made for the issue of stock to pay interest. In April a commission was appointed with authority to sell any or all of the state stock held by the commonwealth in any incorporated company. A sale was made of all the state's bank stock and other stock amounting to $1,395,411.84[2] In this year the sum of $60,313.27 was received from the United States, resulting from the sale of public lands.

[1] Up to November 30, 1842, the state was indebted to the domestic creditors $1,191,710.23, of which amount $597,461.78 was on account of claims prior to May 1, 1841.

[2] The state's bank stock, although it was sold at a heavy loss, had been a good investment, having returned an average interest, between 1821 and 1844, of 5.7 per cent. The other stock averaged, for the same term, .8 per cent. The amount of stock owned by

The revenue for 1843 was $3,404,434.37, but in August interest was again paid, by the issue of new stock. Obligations to domestic creditors, however, amounting to $1,261,236,78 were discharged, as a more pressing obligation, and relief notes to the amount of $508,000 were cancelled. In 1844 the revenue fell to $2,331,765.53, and interest was again paid in stock certificates.

ACT OF APRIL 29, 1844.—This year witnessed the introduction of radical and thorough-going measures of financial reform. The act of April 29th, 1844, was sweeping to the last degree. It declared as liable to taxation for state and county purposes, all real estate not exempted by law; all personal estate; shares of stock in incorporated companies and banks; incomes from professions, trades and occupations (except farmers); and bank capital. The act provided for a board of revenue commissioners, and for triennial assessments. It was made lawful for anyone holding certificates for interest, or for claims for certain appropriations unpaid, to deliver them up and receive in their place certificates of stock, bearing interest at five per cent. Finally, it was enacted, "that the whole amount of revenue to be raised under the provisions of this act, shall be irrevocably appropriated to the payment of the interest on the public debt; and the said appropriation shall not be withdrawn or repealed by any general words or repealing clauses, in any appropriation bill or other

the state at the time of the sale, was $6,194,380.56. The par value of the amount sold was $4,191,783. The par value of the bank stock sold was $2,108,700, which brought $1,216,453.75. The stock of the Farmers and Mechanics Bank was the only stock which sold for its par value.

act." While the reconstruction of the finances dates from this act, it came too late to save the honor and credit of the state. Between February 1st and November 28th, 1844, about $500,000 of the state stock had been transferred from foreign to domestic holders.[1]

REV. SIDNEY SMITH'S LETTER.—Sidney Smith's famous letter to Congress deserves quoting, in part, as evidence of the feeling which existed abroad towards the defaulting states. His honest indignation was mainly directed against Pennsylvania:

"Your petitioner," he writes, "lent to the state of Pennsylvania a sum of money, for the purpose of some public improvements. The amount, though small, is to him important, and is a saving from a life income, made with difficulty and privation. If their refusal to pay (from which a very large number of English families are suffering) had been the result of war, produced by the unjust aggression of powerful enemies; if it had arisen from civil discord; if it had proceeded from an improvident application of means in the first years of self-government; if it were the act of a poor state, struggling against the barrenness of nature—every friend of America would have been contented to wait for better times; but the fraud is committed in profound peace, by Pennsylvania, the richest state in the Union, after the wise investment of the borrowed money in roads and canals, of which the repudiators are every day reaping the advantage. It is an act of bad faith which (all its circumstances considered) has no parallel and no excuse."[2]

This letter produced a great sensation. The sensitiveness of the American people was keenly touched by Sidney Smith's incisive pen. The press led in abusing the author; an air of jaunty bravado was assumed, and the general impression seemed to be that we had done a smart thing in having "tricked and pillaged Europe." The restorative effects of

[1] Niles Register, vol. lxvii, p. 240.

[2] The letter may be found in McCulloch's Dictionary of Commerce, p. 628.

the act of April 29th, 1844, were not felt until the following year. The taxpayers responded nobly. Some counties went so far as to return their quota before it was due. In this year no interest was paid on the funded debt, but the money applicable to this purpose was expended in payments to domestic creditors, the cancellation of relief notes, repairs on the public works and the like.

The Finances of the State Since 1844.

A Review of the State's Revenue. — Before proceeding to the examination of the period following the date of reconstruction, it would be well to cast a hasty glance at the various items which composed the state's revenue before that year.

Before the year 1831 there were hardly any taxes for state purposes which were not of the nature of licenses. For many years the expenses of the simple administrative machinery were so moderate that the revenue from the state investments were nearly sufficient to make up the required amount. After the revolution, Pennsylvania's quota of the war debt was £420,297 15*s*. This was apportioned amongst the different counties. The county commissioners were directed to quota the townships, and the assessors settled the tax with the freeholders. This contribution did not call into being a system of state taxation since the county system was so well organized that it answered the purpose.

In 1810 the revenue of the state amounted to $353,965.08. Of this sum the interest on state investments returned $134,867.97, lands $93,644.42, taxes $83,658.25. The expenditure per capita was seventy-three cents and taxes per capita were thirteen cents.

In 1814 a tax was laid on bank dividends, but for the purpose of restraining existing abuses rather than to increase the revenue. In 1820 the revenue had increased to $440,801.55; the interest on state investments to $127,027; taxes to $122,272.33; sale of lands, fees, etc., had decreased to $24,182.55. The per capita expenditure was forty-three cents, and taxes had decreased to eleven cents per capita. Before the year 1826, with the exception of the tax on bank dividends and on certain court officers, there was no taxation whatever except in the way of licenses. In 1826 those who paid licenses were, dealers in foreign merchandise, tavern keepers, and auctioneers. Auctioneers also paid a duty on their sales. In this year the tax on collateral inheritances was imposed and it is still in existence. The proceeds were devoted to the internal improvement fund. In 1830 the revenue was $6,331,449.31, of which $5,487,000 had been raised by loans. The per capita expenditure had risen to four dollars and seventy-one cents, and taxes were only twenty-two cents per capita.

In 1831 a law was passed which, so far as it taxed personal property, was the parent of the present law. Ground rents, moneys at interest, debts due from solvent debtors, mortgages and corporation stocks on which dividends were paid, public stocks, except those issued by the state, and pleasure carriages were to be taxed one mill on the dollar annually for five years. This tax was collected by the county officers at a compensation of one per cent. of the amount paid over to the state treasurer. The proceeds of this were vested in the commissioners of the internal improvement fund. At the same time an act was

passed directing the county commissioners to increase the county rates and levies, by the amount of one mill on the dollar, upon the adjusted valuation of all real and personal property subject by law to local taxation, and to pay the additional amount raised in this manner for the use of the commonwealth. This act was also limited to five years.

In 1835 the increase of the county rates and levies brought $188,019.94 into the treasury and the state tax on personal property, $20,943.10. At this time, with an annual per capita expenditure of about two dollars and ninety cents, the average tax paid for each person was only thirty-eight cents; about fifty per cent. of the income of the state was borrowed money. In 1836, after the repeal of the wise, though insufficient, legislation of 1831, the treasury was thrown upon the welcome resource of United States surplus and bank bonuses. In 1840 the tax on bank dividends, collateral inheritances, writs and certain officers, were the only source of revenue besides licenses which were contributed by the people. The per capita expenditure in this year was four dollars and twenty-two cents, and the amount of taxes paid averaged twenty-four cents for each individual. The act of June 11th, 1840, has been sufficiently mentioned. In 1843, when the state had been defaulting for more than a year, the population was about 1,724,033; the valuation of taxable property, under the laws taxing personal property, $411,343,170; the tax assessed $968,708.40 (two dollars and seventy-six cents to each taxable, fifty-six cents to each inhabitant); the amount collected, $553,911.38. In 1844 Judge Curtis estimated the value of annual products of the state at the sum of $200,000,000.

AN ABSTACT OF THE TREASURY OPERATIONS.—The following table gives an abstract of the principal treasury operations from 1826 to 1844:

REVENUE.		EXPENDITURE.	
Licenses	$4,078,623 24	Expenses of government	$4,650,393 48
Taxes	4,421,562 88	Subscript'n to turnpike and other stock	1,842,414 38
Loans & premiums on ditto	43,400,781 85	Internal improvem't fund, including int. paid	55,066,519 53
Premiums on bank charters	3,658,193 27	Loans repaid	4,010,719 88
Surplus rev. from United States	2,867,514 78	Militia & pensions.	1,164,227 14
Sale of state investments	1,395,411 84	Common schools	2,620,375 19
Dividends on state investments	2,691,774 59	Education & charities	647,779 54
Canal and railroad tolls	9,286,644 26	Penitentiaries, etc.	819,950 99
Other revenue	2,416,188 26	Domestic creditors	1,470,826 21
	$74,216,694 97	Canc'ld relief notes	508,000 00
		Other expenditure	1,415,488 63
			$74,216,694 97

From this table it is calculated that, from the beginning of internal improvements, in 1826, to the regeneration of the state credit, in 1844, the state raised 58.6 per cent. of its revenue by loans, and only 11.4 per cent. by taxation, and, of this vast expenditure, 76.8 per cent. was employed in constructing the public works, and in paying interest on the loans contracted therefor.

From 1840 to 1846, inclusive, the amount received in taxes and licenses was as follows:

1840	$438,752 50
1841	422,801 53
1842	875,059 89
1843	396,155 25
1844	1.113,316 67
1845	1.811,920 23
1846	2,097,766 52

Every economy was enforced to bring down expenses. The expenses of government and administration decreased steadily from $412,751, in 1839, to $200,113, in 1847.

In 1845 the payment of interest was resumed, and has not since that time been interrupted. The revenue from regular and legitimate sources, at this time, amounted to over $3,000,000. The annual interest charge was $1,789,990.30. Since 1840 the debt had increased from over $33,000,000 (not including surplus revenue "owing" to the United States) to $40,703,866, which was composed as follows:

Permanent loans at five per cent. interest	$32,881,662 01
Permanent loans at four and one-half per cent. int.	200,000 00
Permanent loans at six per cent. interest	1,730,653 37
Interest certificates for August, 1842, February and August, 1844, at six per cent	2,606,333 03
Interest certificates for February and August, 1844, at five per cent	1,847,040 48
Relief notes (act of May 4th, 1841)	1,438,178 00
	$40,703,866 89

It will be observed that the hand-to-mouth policy added $4,453,373.51, in the way of accrued interest, to the public debt, and interest on this interest to the amount of nearly $400,000. We do not feel called upon to characterize a government and a community which preferred to compound its interest for over two years rather than take active and efficient steps to diminish it, and which considered the premiums on its recklessly contracted loans as a legitimate source of revenue. No comment could be more incisive than the bare facts and figures.

THE ACT OF APRIL 16, 1845.—Certain legislation of the year 1845 caused much dissatisfaction. The term repudiation was even applied to it. By

act of April 16, 1845, the Governor was authorized to issue stock maturing in 1855, at the rate of five per cent., to all who wished to return the interest certificates of 1842, 1843 and 1844. Interest on these certificates was to be computed at the rate of four and a-half per cent. per annum, and the amount thereof added to the principal, and state stock issued for the whole amount as aforesaid. The interest certificates issued in 1842 and 1843 bore six per cent., those in 1844 five per cent.[1] Pursuant to the above-mentioned act of 1845, interest certificates to the amount of $2,481,396.77 were delivered up by December 3, 1845, and new stock issued for them, and for the interest due on them, calculated at the rate of four and a-half per cent. The discussion of this measure should be preceded by the statement that the delivery of the interest certificates was, in no sense, compulsory, although many who returned certificates under the act thought differently. The state treasurer in his report for 1845 made the following remarkable defence of this proceeding:

"Some complaints have reached me from such sources as seem to require some notice from me, that this *change in the rate of interest* is a violation of an agreement, or contract, upon the part of the state. But it is evident that there was no such agreement on the faith of which any credit was given. The commonwealth found herself at the periods named, by a combination of circumstances unnecessary now to state, but which may happen to any government, in a situation of inability to pay the interest due. *There was no contract* when this interest fell due, that six per cent. should be paid upon that interest."

This statement seems the more remarkable from the fact that it is contradictory to a statement in his report, fourteen lines above the words first italicized, that certificates were issued, for interest due, bearing

[1] P. L. 1842, page 443; 1844, page 376.

interest at five and six per cent. He goes on to say: "The certificates were issued as evidence of a floating debt, and now the commonwealth offers to make them a part of the funded debt, to which she adds four and a half per cent.—thus compounding the interest and giving five per cent. interest on the aggregate amount." This uncandid and contradictory defence shrinks into nothing before the vigorous invective of the author of "Pennsylvania as a Borrower,"[1] who never spoke in uncertain language. "Failing to pay interest on money borrowed," he says, "she gave bonds for that interest, promising to pay the old interest at a fixed date, and to pay five or six per cent. interest on the interest already overdue. She did neither. She compelled a surrender of her contracts and their evidences, and then forced the holders to take four and a half per cent." The state compelled the surrender of the interest certificates in this sense: Section thirty-eight of the act of April 16th, above mentioned, reads: "that at any time within nine months after the passage of this act, it shall be *lawful* for any person, or persons, or bodies corporate, on delivering up to the auditor general any certificates for the payment of interest on the funded debt," etc. The persons who surrendered their certificates did so voluntarily, knowing that interest on them would be lowered to four and a half per cent., and the state in no way compelled a surrender of her contracts and their evidences, nor did she force the holders to take four and a half per cent.

Mr. Wallace, continuing, his remarks, says of the proceeding: "It can never be spoken of otherwise than as an act of repudiation by those who speak

[1]John M. Wallace, Esq.

intelligently of it at all. It is a damned spot, and all the perfumes of Arabia will not sweeten the honor of this Commonwealth." If it was repudiation it may be doubted whether repudiation so petty necessitated denunciation so violent. Mr. Wallace's paper appeared in 1863, but time did not soften his judgment. He doubtless followed contemporary opinion too closely.

An editorial in the *Public Ledger* for April 26, 1845, says:

"It may be said that this act does not deprive holders of these certificates from any of the privileges which they now enjoy, and that it is not obligatory on them to fund them as pointed out. The foot-pad who, armed, meets the traveler on the highway, and offers to leave him his papers, on condition of his surrendering his cash and valuables, by the same class of reasons could be shown to be equally liberal. The legislature promises to pay at a certain time, at a certain rate of interest, and neglects year after year to do it, or even to recognize it as other debts. This *honest* body, which is above the reach of compulsory process, then say to the neglected certificate holders, take four and a-half per cent. and we will recognize your claim—otherwise occupy your present neglected position. . . . . If there was any justice done to the holders of these certificates by funding them, it was no more than justice to do so at the rate of computation declared upon their face. . . . It is a small business, and one that redounds little to the credit of its authors or to the state."

It was truly a small business, though it was not repudiation. The attacks upon the state's credit are as unfair as the above quoted defence is uncandid. The truth is, that owing to bad management and a popular dislike to taxation, the state was unable for a certain time to meet its interest except by the issue of stock on which it promised to pay five and six per cent. interest. The greater part of these interest certificates were issued because it seemed more equitable to recognize the claims of contractors and workmen before the claims of holders of state stock.

The cancellation of relief notes was an urgent public necessity, and rightly preceded the resumption of interest payments.

When the interest payments were resumed the state was practicing the most rigid economy, and unwisely, it must be confessed, attempted to cut down the rate of interest on its interest certificates. It gave the option to those who wished to invest their arrears of interest, of taking a ten year certificate of stock at five per cent., on the condition that interest on the arrears should be calculated at four and a half per cent., or holders of interest certificates might redeem them when they matured, at the guaranteed rate of interest.[1] It was short-sighted economy on the part of the state, but it was not repudiation, and the fact that a large number of certificates were funded under said law of 1845, does not sustain the charge of repudiation. There would never have been any state stock issued to these howling capitalists if they had been willing to submit to taxation. Having taken pecuniary advantage of their own lack of patriotism; having received interest from, instead of paying taxes to, the state, they began to cry out when she made an honest effort to restore her credit.

In this same year a small tax was laid on the state loans.[2] It was a measure perhaps not altogether to be recommended, considering that the state was just returning to cash interest payments, but it did not merit the vigorous denunciation of Mr. Wallace, who charged the state with breach of contract. The right of a state to tax its own loans has been a matter of lengthy discussion, and the legal mind natur-

[1]The interest certificates issued in August, 1842, were payable in August, 1843; those of 1843, in August, 1846; those of 1844, in August, 1846. [2]P. L. 1845, page 533.

ally over emphasizes the state as a contracting power.[1] The state as a party to a contract, and the state as the possessor of the sovereign power of taxation, acts in different capacities, and even when it guarantees a specific rate of interest, and then taxes the bondholder, it does not tax him as a holder of state obligations, but as an individual, a part of whose income is easily accessible to the tax assessors. The same is true of taxes on the salaries of public officers.[2] From an economic point of view a tax on the holders of state securities is an admirable one, as it is sure, easily collected, and falls on moneyed people. The particular tax in question was not burdensome, as it amounted to only one-twentieth of one per cent. From the fact that the state withheld the amount of the tax when it paid interest, it seemed to the thoughtless as if it paid less than it had guaranteed. But the state had given no guarantee that it would not tax the income of its bondholders—no matter whence they derived it. By deducting the tax when the interest was paid, the state economized as to its administrative machinery, and saved the time of those tax-payers who held state securities. To avoid scandal, it might have been worth while to have paid interest at one desk and have received the tax at another.[3]

---

[1]Purdon's Digest of the Laws of Pensylvania, volume ii, page 1611 (6). Ed. 1885.

[2]Helferich on the general theory of taxation in Schönberg's Handbuch, volume ii, page 116. Helferich holds that there is no breach of contract unless the state has expressly exempted the creditors and public officers from taxation.

[3]This tax caused so much dissatisfaction that, with the exception of $400,000, which bore six per cent. interest, (State Treas. Rep., 1866), no state loans were taxed after this time. In 1867 (P. L., page 261) all loans not overdue were exempted from state, municipal or local taxation after February 1.

Notwithstanding the popular outcry raised by the above related legislation of 1845, the credit of the state was restored before the year expired. In August, of 1845, we hear of a great demand, by cautious investors, for Pennsylvania loans as permanent investments. Pennsylvania fives were at $77.50 on the sixth of this month.[1] [2]

From 1845 to 1849 the course of the state's finances was uneventful. The revenue was sufficient to meet all expenses, the chief item being an interest charge of over $2,000,000 annually. The two principal sources of revenue, the tax on real and personal estate, and canal and railroad tolls, were nearly sufficient to meet the interest. Although the debt, which was $40,986,393.22, had been reduced by only about $475,000 up to 1849, the revenue had increased

[1] *Public Ledger*, August 6, 1845.

[2] The following table, selected from Niles *Register*, volume lxv, page 69, gives the variation of important stocks in Philadelphia from 1836 to 1843:

	1836.	1837.	1838.	1839.	1840.	1841.	1842.	1843.
Penna. 5s	105	100	99	100	90	81	33	39½
U. S. Bank	121	118½	118	113	79½	20	2⅞	1⅞
Bank of N. A.	450¼	445	404	397	390	.....	165	275½
Bank of Penna.	518¾	515	485	.....	404	.....	51	112½
Girard Bank	67½	55	48½	49⅜	37½	31½	2	1½
Bank of Kentucky	98½	79½	78	83	52	53	50	46½
Schuylkill Nav.	159	155	160	119	80	66½	31	20
Lehigh Coal & Nav. Co.	79½	75	86	87	50	.....	8	.....
Camden & Amboy R.R.	137½	130	120	125½	120	88	70	63½
Union Bank of Tenn.	103	90	90	82½	64	58	26	39
Planters' Bank of Ten.	106½	96	90	.....	71½	73	35	39

In December, 1844, Pennsylvania 5s sold for 73½; Lehigh Navigation, 66½. In January, 1845, United States 5s sold in New York for 104; Ohio 6s, for 98; Kentucky 6s, 100½; Illinois 6s, 36; Indiana bonds, 35; New York 7s, 115½; United States 6s, 114½; Tennessee 5s, 83½.

so rapidly that a sinking fund became possible and expedient, so it was established in this year.[1]

THE SINKING FUND OF 1849. — The same officers of the state who were members of the internal improvement fund commission were placed in charge of the sinking fund: the secretary of the commonwealth, the auditor general, and the state treasurer. One commission was the outgrowth of the other, or, rather, they were identical, except that the commissioners of the sinking fund of 1849 had no authority to pay interest on the debt, but were confined to accumulating revenue for its extinguishment. One commission was very successful in accumulating the debt, the other, in its revised form, has been equally successful in reducing it. The commissioners were authorized to apply such revenues as were appropriated to them for the purchase of the state debt, at it its market price, if it did not exceed the par value. The revenues at first devoted to this purpose were the collateral inheritance tax, which had also been pledged to the internal improvement fund, taxes on charters, and various licenses. The commissioners were authorized to receive the interest due on the debt purchased and held by them, which interest was also to be applied to the purchase of the debt. On the first Monday in September, 1851, and every third year thereafter, the commissioners were to certify to the governor the amount of the debt held by them, and he would then direct the certificates representing the same to be canceled, and after cancellation issue a proclamation declaring that so much of the debt had been extinguished. In 1852,

[1] P. L., 1849, page 570.

and every third year thereafter, the commissioners were to report the amount of the debt cancelled to the legislature, and what reduction of taxation might be made. Balances were to be invested in order to form an accumulating fund.

Hereafter, the financial history of the state is to be traced in the operations of the sinking fund. It needs fewer words to tell how the debt has been reduced, than to give an idea of its accumulation. By an act of April 19, 1853, the commissioners of the sinking fund were practically restricted to the cancellation of relief notes.

By the first of January, 1856, they redeemed $1,586,672.29 of the public debt, including relief notes to the amount of $416,390.[1] The last triennial report of the old sinking fund commission, presented in 1858, showed that the debt had been reduced by $1,042,757.64, viz.: relief notes, $402,940; temporary loans, $564,000; state stock, five and six per cent., $75,817.64. The state had been able to borrow $5,000,000 in 1852, which had been used in redeeming six per cent. loans, interest certificates, and certificates to domestic creditors, and these operations added more than $1,000,000 to the debt. The modest efforts of the sinking fund commissioners had not, therefore, made much impression upon the total.

It was necessary to have a more efficient arrangement, so a new sinking fund law was passed in 1858.[2]

THE SINKING FUND OF 1858. — This commission had the same power of paying interest on the

[1] Rep. Com. Sinking Fund in Leg. Doc., 1856, page 337.

[2] P. L., 1858, page 468. Also see amendment to the constitution of 1838, adopted in 1857, Art. I, Sec. 4.

debt which was given to the commissioners of the internal improvement fund. It was necessary that they should have a regular revenue at their disposal, therefore the following revenues were vested in them: The tax on bank dividends and bank charters; all corporation taxes; all licenses, auction commissions and duties; taxes on the recording of various legal papers; on public officers and others, on foreign insurance agencies; enrollment of laws; money from the sale of pamphlet laws; all fines, forfeitures and penalties; revenues from the public lands; excess of militia tax over expenditure; millers' tax; tax on loans or moneys at interest; tonnage tax; escheats; collateral inheritance tax; accrued interest, refunded cash, and all gifts, grants and bequests, with the revenue arising from them. These included all the principal sources of revenue, except the tax on real and personal estate, which was reserved to meet current expenses.

In 1873 the sinking fund was made permanent by Article IX, section 2, of the new Constitution. In 1876 it was enacted that, beside the revenue from the sale of any stocks owned by the commonwealth, or from any public works, the sinking fund should consist of two-thirds of the tax on the capital of corporations. The balance of this tax and all other revenue constitute the general revenue fund. At the present one-half of this tax goes to the sinking fund.

In 1858 the public works were sold, and after that time little remains to be said, except that the reduction of the debt has been going on steadily and uneventfully. During the war of secession it was again increased to over $40,000,000. From 1850 to 1860 the reduction was at the rate of $392,922.73 per

annum. In 1861 a war loan was negotiated, and a special tax of half a mill on the dollar was assessed to pay the interest on the loan.

REFUNDING OPERATIONS.—On December 1st, 1867, the loans overdue amounted to more than $23,000,000. The state treasurer recommended that these should at once be paid off, and in the following year $23,000,000 was borrowed for that purpose By this refunding operation, the overdue debt was reduced to $2,914,274.43. The total debt in 1867 was $37,699,916.72, of which $22,208,879.29 was reimbursable prior to 1880, although only $6,364,596.16 was actually redeemed before that year. The reduction of the debt from 1860 to 1870 was at the rate of $636,4591.16 per annum—an increase of fifty per cent. over the reduction of the previous decade. To meet the loans, at six per cent., maturing in 1877, which had been contracted in 1867 for the payment of overdue stock, a refunding loan was created amounting to $8,000,000, bearing interest at five per cent., and payable after fifteen and within twenty-five years. In addition, ten series of registered loans and two thirty-year loans were issued, bearing interest at three and a-half and four per cent., amounting altogether to $9,450,010. The first of the series matured in 1884; the last falls due in 1892.

The debt on December 1st, 1886, was $17,258,982,28, of which $147,882.28 bore no interest, and consisted of relief notes, interest certificates, bonds upon which interest had ceased, etc. The interest charge for the year was $770,176.50. On March 19th, 1887, Pennsylvania 5s were quoted at 117, the old 4s at 109 and the new 4s at 120, and no offerings.

III.

TAXATION.

The County System and the State System.

A natural consequence of the preceding pages is an account of the present system of state taxation in Pennsylvania. In the first attempt to levy a general state tax, the county system was utilized. It seems likely, at the present time, that much of the old importance of this system will be restored. So much attention has been paid in Pennsylvania to the corporation taxes, that personal property has enjoyed, for a long time, a far too great exemption. This was remedied to some extent, by the law of June 30th, 1885, which materially increased the duties of county officers. Personal taxes are, to a large extent, collected by means of the county machinery, and no account of taxation in Pennsylvania would have any pretence to completeness if it did not say something about the county system.

Local taxation in Pennsylvania is particularly susceptible to historical treatment.[1] If we follow back the history of finance and taxation far enough into the past we find that the English system was introduced upon the conquest of the right bank of the Delaware by the English in 1664.

In order to complete the historical investigation of taxation with any degree of thoroughness, it would

[1]The township and the borough have been studied by Dr. E. R. L. Gould, "Local Government in Pennsylvania" (Johns Hopkins University Studies in Historical and Political Science, I, pp. 20–37), and by Dr. Holcomb, "Pennsylvania Boroughs" (Johns Hopkins University Studies in Historical and Political Science, IV, pages 135–179.)

be necessary to go still further back—to the time of the Dutch and Swedish settlements in Pennsylvania. In this connection, it will only be necessary to remind the reader that before the country came under the Duke of York's patent, it was dotted over by small Dutch and Swedish villages, which had more or less developed local governments of their own modeled on the institutions of the old country. It is hardly necessary to call attention to the fact that the Swedes, the Dutch and the English were all Teutons, having originally the same ancestors, language and institutions. When they were brought together on the right bank of the Delaware, under the same primitive conditions which originally shaped their common institutions, it was found that their respective local governments were practically identical. The English found a complete local administration with which they could have been unfamiliar only by name. The same was true, to a less extent, when the Dutch overcame the Swedes in 1655. The important financial functions which belonged to the English sheriff, justices and constables were performed by the Swedish schout fiscaal and the Dutch schout, schepens and court messenger—the same officers with different names. It was a happy chance which brought these three peoples together on the soil which passed into the possession of the great Quaker statesman. It was appropriate that the adventurers of three nations should settle on the soil of the Quaker state, and come to live in quiet agreement with each other. That they were able to do so was owing largely to the bonds of kinship, language and institutions.

On the Delaware the Duke of York's laws amounted to but little more than a confirmation of the vil-

lage system of the Dutch and Swedes. The English changed the name of schout to sheriff, schepen to justice, and court messenger to constable.

When a levy had been determined upon by the court, the sheriff was ordered to send out his warrants to the town constables, requiring them to call together the overseers (justices), who should make out a list of all males of sixteen years of age and upwards, and an estimate of real and personal estate. The rates were to be paid to the constable of the town where each was assessed. In default of payment, distress was to be taken by the constable upon goods or cattle; if these were lacking, upon houses and lands; if there was no property available, the body of the delinquent was to be attached. The first movement of the machinery of local taxation began when William Penn changed the local unit—when the county swallowed the township. The king's charter authorized Penn to make laws, "by and with the advice, assent and approbation of the freemen," for raising money for the public use of the province. The Great Law of 1682 provided that no tax should be raised but by a law made for that purpose, by the governor and freemen, and that none should have a longer duration than one year without reënactment.

In 1684 the provincial council passed a resolution declaring that "the charges of the government shall be defrayed by the people of the government,"—a resolution which the people of the government, in later years, had never heard, or had forgotten.

The court of each county had power to assess such taxes as would defray expenses. One-half was laid on lands; one-half was raised by the poll tax, or on males between sixteen and sixty. In 1693 a method

of assessment and collection was adopted which is the direct predecessor of the present system. Any two members of the assembly, within their respective counties, were authorized to call to their assistance three justices of the peace, or other "substantial freeholders," to act as assessors, and they were to appoint receivers or collectors. The constable was to certify to the assessors the names of taxables, and the assessors valued their real and personal estates, with due regard for unprofitable lands. The taxes were paid to the receivers, who reported to the assembly, and paid the money received to the county treasurer. A little later, the justices were authorized to estimate the county charges every year, and to authorize the raising of such amounts as were presented by the grand jury. Money required for the support of the poor was to be first paid.

The law of 1696 was another step forward. When the electors voted for representatives they were also to choose six county assessors. The latter were provided with lists of taxables by the constables. They appointed the collectors and county treasurers. Taxes were paid, as before, to the receivers, whose receipts constituted a sufficient discharge for the assessors. The latter decided all appeals. In 1718 and 1722 two acts were passed for the more effectual raising of county rates and levies. These were reduced into the act of 1724. This legislation provided for the election of three commissioners and six assessors for each county. They were sworn, or affirmed, by two or more justices of the peace, as follows: "Thou shalt well and truly cause the county debts to be speedily adjusted, and the rates and sums of money, by virtue of this act imposed, to be duly and

equally assessed and levied, according to the best of thy skill and knowledge;—and herein thou shalt spare no person for favor or affection, nor grieve any for hatred or ill-will." The commissioners, under this act, performed the duty, which formerly belonged to the court of sessions, of annually calculating the county debts and charges. They also directed what amounts should be devoted to certain services which the county performed, such as the building of bridges, court houses, prisons, work houses, etc. They issued precepts to the township constables, directing them to furnish lists of taxables, with an account of their real and personal property. The counties were divided into districts, and a collector appointed in each. The commissioners and assessors heard and decided appeals.

This was the most important legislation on this subject until the year 1782.

It would be interesting to follow minutely the history of finance in Pennsylvania during the eighteenth century. Popular rights and the ascendency of the popular assembly were fought out and won on disputed financial issues. Pennsylvania unconsciously cherished the sentiment of union, which threaded the history of her sister colonies, by what, viewed externally, seem only petty disputes with the governor and provincial council concerning proprietary grants and bills of credit.[1]

In 1782 congress demanded "effective supplies" from the states, for carrying on the war. Pennsylvania's quota was 430,297 pounds and 15 shillings. This sum was proportioned among the counties. The

[1]Gordon's History of Pennsylvania, pp. 104–106, 230–234, 291, 321, 414, etc.

to demand and receive the amount charged to each person. Six weeks after the date of his warrant the collector must pay such moneys as he has received into the hands of the county treasurer, and must make his final settlement within three months after receiving his corrected duplicate.

The county treasurer is elected for two years. In addition to his other duties he receives and accounts for moneys received for the commonwealth from the following sources: Licenses granted to hawkers and peddlers; tavern-keepers' licenses; licenses to retailers of foreign merchandise; exempt militia fines, pamphlet laws and state maps; from taxes assessed for the use of the commonwealth, and from any other source from which, by law, moneys arise for the use of the commonwealth. He reports semi-annually, or oftener, all moneys received for the commonwealth to the auditor general of the state. In July and December of each year he pays over to the state treasurer all moneys due the commonwealth from the above-mentioned sources. In the city and county of Philadelphia the state taxes are collected and paid to the state treasurer by the receiver of taxes. A mercantile appraiser is appointed in each county by the county commissioners, for one year. His duty is to make out a list of all dealers in foreign and domestic merchandise, with the amount of their sales, and return the list to the county treasurer. He must make out a list of all hotel, tavern and saloon keepers who sell liquor, with the amount of their sales. Under the law of March 31st, 1856, the mercantile appraisers claim the right to classify and rate the wholesale liquor dealers.

THE STATE SYSTEM.—The modern administration of state finance dates from the passage, in 1782, of an act establishing the comptroller general's office. This officer had power to settle all valid claims against the commonwealth. All accounts were laid before him, and, after receiving his approval, were transmitted to the executive council. If they proved satisfactory to that body, the president drew warrants for payment upon the state treasurer. In 1789 the office of register general was created. He was appointed by the general assembly. His duty was to check and examine the proceedings of the comptroller general, who was appointed by the supreme executive council. The register general countersigned all warrants drawn on the treasury.

In 1809 the offices of register and comptroller were abolished, and the office of auditor general established. In 1811 an act was passed which is the basis of the present system of public accounts. The auditor general now performs the duties of the register general, and the state treasurer those of the comptroller general. The auditor is elected for a term of three years. He adjusts all accounts between the state and its debtors and creditors, including officers of the revenue. He is invested with power to compel all persons entrusted with public moneys to render him their accounts. All his accounts are revised by the state treasurer. He signs all warrants for the payment of public moneys, and countersigns all receipts for money paid into the treasury. He must annually examine the situation of the treasury, and, if he thinks best, the accounts of the treasurer and the banks in which public moneys are deposited. The auditor is the proper officer

to proceed for the recovery of moneys due to the commonwealth.

The state treasurer is elected for a term of two years. His duties are to keep an account of all moneys received and expended; to make a report monthly to the auditor general of all moneys received and expended; to make all appropriations and payments according to law; to make an annual report to the legislature, with an estimate of the probable receipts and expenditures for the coming year.

The board of revenue commissioners consists of the auditor general, the state treasurer and the secretary of the commonwealth. It must meet at least once in three years, and at Harrisburg. It has power to require from the county commissioners and the commissioners for the revision of taxes in cities, statements of the aggregate value of all property subject to state tax. It is the duty of the board to attempt to equalize and adjust the value of the property submitted as above, so that taxes may fall as equally as possible upon all property taxable for state purposes. Any city or county not satisfied with the adjustment may have a hearing before the board, which must attempt a readjustment if the objections offered seem valid. Any county not satisfied with the final adjustment of the revenue commissioners, may appeal to the court of common pleas of Dauphin county, or, if the court is not in session, to a law judge thereof. If the court sustains the appeal, it certifies the amount of the error to the auditor general and state treasurer, who credit the county with the said amount, to be applied upon any existing

indebtedness of the county on account of the state taxation of personal property.[1]

Taxes.

The revenue of the state for the fiscal year of 1886 was $7,5207,11.13; there was a balance in the treasury from the preceding year of $1,784,041.86, making a total of $9,304,752.99. The expenditure for the same year was $7,203,295.42; $1.60 per capita. Of this large amount, about eighty-seven per cent. is raised by taxation, at the rate of $1.58 per capita.

Personal Property.—The amount of personal property taxable for state purposes, as estimated by the revenue commissioners for 1886, is $390,749,556.61 (not including pleasure carriages and watches), which is subject to a tax of three mills on the dollar. The law authorizing this tax bears date of 1844. Having been passed during the financial crisis, it was made very comprehensive. Some important modifications have been introduced. The law originally taxed real estate, but in 1867 it was released from taxation for state purposes. In 1885 the tax was reduced, after several variations, to three mills on the dollar. The personal property subject to the three mill tax for state purposes is as follows: all mortgages, money owing by solvent debtors, whether by promissory note, penal or single bill, bond or judgment; all articles of agreement and accounts bearing interest, owned or possessed by any person or persons whatsoever, except obligations given to banks for money loaned, and bank notes; all public loans on stocks, except those issued by the common-

[1]See Prof. James' article on the "Public Economy of Pennsylvania" in *Wharton School Annals of Political Science.* No. 1. March, 1885.

wealth or the United States; all money loaned or invested in any other state, and all other moneyed capital in the hands of individual citizens of the state; stages, omnibuses, hacks, and other vehicles used for transporting passengers for hire, whether owned by individuals or companies; annuities over $200, except those granted by the commonwealth or the United States; and all personal property whatever, except such as is held in trust for religious purposes; shares of stock or weekly deposits in any unincorporated savings fund institution; household furniture, including gold and silver plate, when the value exceeds $300. Pleasure carriages are taxed one per cent. Gold lever watches are subject to a tax of one dollar each; other gold watches, and silver lever watches, or silver watches of like value, seventy-five cents each; all other watches of the value of $20, or upwards, fifty cents each.[1] The revenue commissioners estimate that the total amount due from these sources in 1886 was $1,294,-314.41, of which amount only $674,624.14 was collected within the fiscal year. The tax on personal

[1]The following table shows the number of watches of each description, taxed in the city of Philadelphia (population over 847,000), in the years 1883, 1884, 1885. It is incredible that there should only have been 18,990 watches in Philadelphia in 1885. The table is taken from the report of the tax commission of Baltimore (1886), p. 47:

	1883.	1884.	1885.
Gold Watches	14,515	18,509	18,390
Silver Watches	375	675	543
Other Watches	19	74	55
Total	14,909	19,258	18,990

Watches taxable for state purposes were valued, in 1886, at $63,130 70.

property is assessed and collected by the county officers as above described. The county treasurer receives as compensation, a commission of five per cent. when the amount collected for the state does not exceed $1,000; when it exceeds that sum and does not exceed $2000, one per cent. for the excess over the the $1,000; when it exceeds $2,000, one-half of one per cent. The calculation is made on the gross amount. Collectors are allowed five per cent. on all moneys collected.

The compensation which the state allows is altogether insufficient to secure proper care in assessment and collection. The county commissioners have no inducement to increase the amount collected for the state. This niggardly arrangement has proved to be poor economy.

COLLATERAL INHERITANCE.—This tax was introduced in 1826, to supply revenue for the internal improvement fund. With the exception of the tax on the recording of various legal papers, it is the oldest state tax in existence. It was formerly collected by the county treasurers, but, in order to make it more efficient, its collection was intrusted to the registers of wills by act of April 10th, 1849. The rate is five per cent. on estates passing to collateral heirs. The revenue from this tax was $18,686.69 in 1830, $23,548.91 in 1840, $102,295.07 in 1850, $146,846.96 in 1860, and $662,976.61 in 1886.

TAX ON OFFICES AND PROCESS.—When the net receipts of the prothonotaries or clerks of the supreme court, courts of common pleas, courts of quarter sessions of the peace, orphans' court, or of the register of wills and recorders of deeds

amount to more than $2,000 per annum, the said officers pay into the state treasury fifty per cent. of the surplus. The auditor general has power to compel these officers to furnish their accounts for settlement, and to compel payment as in other cases. By act of April 6th, 1830, the following officers are directed to receive the following sums for the benefit of the commonwealth: the prothonotaries of the supreme court, exercising appellate jurisdiction, collect for every writ of error issued, or appeal entered, the sum of $3.50; the prothonotaries of the courts of common pleas and the prothonotaries of the supreme court having original jurisdiction, collect on every original writ issued out of said court (except *habeas corpus*), and on the entry of every amicable action, the sum of fifty cents; on every writ of *certiorari* issued to remove the proceedings of a justice of the peace, or alderman, the sum of fifty cents; on every entry of a judgment where suit has not been previously commenced, fifty cents; and on every transcript of a judgment of a justice of the peace or alderman, twenty-five cents.

The recorders of deeds collect fifty cents on every mortgage, or other instrument offered to be recorded.

The registers of wills collect for the probate of a will, and letters testamentary, fifty cents, and for granting letters of administration, fifty cents. The tax paid upon the entry of judgment confessed for a sum not exceeding one hundred dollars, must be paid by the plaintiff without recourse to the defendant. The recorder of deeds in the city of Philadelphia and the respective counties, collects for the state ten dollars on the commissions of the following officers:

Inspector of salt provisions, health officers, lazaretto physician, port physician, measurers of corn and salt, superintendent of powder magazine, regulator of weights and measures, the inspector of flour, inspector of ground black oak bark, inspector of butter and lard, gaugers of domestic distilled spirits; on the commission of a prothonotary, clerk of oyer and terminer, quarter sessions, orphans' court, mayor's court, register of wills, recorder of deeds, notary public, interpreters of foreign languages, and sheriff of a county, each ten dollars.

The officers who receive these various taxes are required by law to account for them annually to the auditor general. They receive as compensation, three per cent of the amount received and paid over. In 1804 the tax on writs was the only one of these taxes in existence, and it returned in that year $2,443.48. In 1810 a law was passed taxing the various court officers above mentioned, and the register of wills and the recorder of deeds. In 1820 the revenue from this source was $16,830.70; in 1830 $12,907.88; in 1840 $41,388.59; in 1850, $59,446.68; in 1886 $173,956.64.

Tax on Net Earnings or Income.—Every banker and broker, every unincorporated banking and savings institution and express company, and all corporations doing business in the state, and foreign insurance companies, on the first of November of each year, report to the auditor general the amount of their net earnings or income, and within sixty days must pay to the state treasurer a tax of three per cent. upon said earnings or income, under penalty of a fine of ten per cent. of the amount of the tax in case of non-payment. Banks and savings institu-

tions incorporated by the state are exempt from this tax. In 1886 the revenue from this source brought in only $68,728.93. In that year two hundred and forty-three private bankers and brokers made reports to the auditor general. The names and reports are published in his report for that year, from which this table is extracted:

The number reporting an annual income exceeding $10,000 is	47
Exceeding $5,000, under $10,000	27
" 4,000, " 5,000	11
" 3,000, " 4,000	19
" 2,000, " 3,000	32
" 1,000, " 2,000	38
" 500, " 1,000	25
Less than $500	44
	243

The auditor also published detailed accounts of twenty-six of these institutions, some of which exhibit astonishing banking methods. To what extent this law is a premium on dishonesty it is, of course, impossible to say. The returns are made under oath, and the amount of perjury must be very great. The tax falls most heavily on the large bankers and brokers of the city of Philadelphia. The forty-one private bankers, who returned net earnings over $10,000 in 1886, contributed more than sixty-two per cent. of the amount raised under this law. Twenty-six of the forty-one were doing business in Philadelphia. Those returning more than $5,000 a year contributed seventy-one per cent. of the total.

TAX ON NOTARIES PUBLIC.—Notaries pay $25 for their commission. They are required to make a return annually, under oath, of the amount of their fees on which they pay a tax of five per cent.

With the exception of licenses the above are all the taxes which are not laid on corporations as such. It will have been observed that they fall on personal property, the receipts of state officers, the descent of property to collateral heirs, on transportation, or on income.

CORPORATION TAXES.—The essential features of the corporation taxes are, that they fall on the incomes of shareholders; that they are paid by the companies directly to the state treasurer and cost nothing for collection; that they insure the taxation of non-residents, and that they fall on those who are best able to bear the burdens of taxation. They are the fairest and most economical means of raising value which the state possesses. In 1886 they contributed 53.3 per cent. of the total revenue from all sources. Corporation stock was first taxed in 1844. Taxes on corporation began to be laid in 1863, and soon became the most important resource of the state. By reason of them, it became possible in 1867 to release real estate from taxation for state purposes.

THE ACT OF JUNE 7TH, 1879.—The corporation tax laws were revised and cast in their present form by act of June 7th, 1879. Under this law no corporation may go into operation in the state without first having its name, the date of its incorporation, the act of assembly or other authority under which it was incorporated, the place of business, the postoffice address, the names of the president, secretary and treasurer, and the amount of capital stock paid in, registered in the auditor general's office, under penalty of a fine of $500. The president and

treasurer of every incorporated company doing business in the state (except banks, savings institutions and foreign insurance companies) must make an annual report, stating the total authorized capital stock of the company, the number of shares of stock, the par value of each share, the amount of each share paid in, the amount of capital paid in, and the date, amount, and rate per cent. of each and all dividends paid within the year, ending with the first Monday in November. When a company fails to declare a dividend during the year ending as above, or when its dividends are less than six per cent. a year on the par value of the stock, the treasurer and secretary of the company must appraise the capital stock at its actual cash value, and submit their appraisement to the auditor general, with a copy of their oath or affirmation to the truth of the same. The auditor general and state treasurer may also make a valuation if they are dissatisfied with the one returned by the company. If the company, in turn, is dissatisfied with this settlement, they may appeal to the court of common pleas, as in any other case of appeal from the settlement of accounts by the auditor-general and state treasurer.

In case any company does not make the above return by the thirty-first of December in each year, ten per cent is added to the tax due the commonwealth. If the officers of any company intentionally fail for three successive years to make the above return, the charter of the company is forfeited on the governor's proclamation.

TAX ON CAPITAL STOCK.—If the dividends made by any company within the year ending the first Monday in November exceed six per cent. on the par

value of the stock, the tax is one-half of a mill on the capital stock for each one per cent. of dividend declared. If no dividend is declared, or if the dividend does not amount to six per cent. upon the par value of the stock, the tax is three mills upon each dollar of a valuation of the capital stock made as above. That is, if a company has a capital stock of $1,000,000 it pays an annual tax of $3,000 under this law until its dividends are more than six per cent., and then an additional $500 for every one per cent. of dividend. If a company has more than one kind of stock, such as common and preferred, and on one of these a six per cent., or larger, dividend is paid, the tax on that part of the stock which pays six per cent. or more is taxed at the rate of half a mill on the dollar, and that part of the stock which pays no dividend, or less than six per cent., is taxed three mills on the dollar. When any profit is added to the sinking fund it is treated as having been divided amongst the stockholders, and it subjects the capital stock to taxation as if it were a dividend, unless such profit is expressly set aside for the payment of debts.

TAX ON TRANSPORTATION COMPANIES.—Transportation companies organized as limited partnerships, and all other limited partnerships and joint stock companies, unless organized for manufacturing or mercantile purposes, are subject to a half mill and three mill tax, as above described. For purposes of taxation interests in limited partnerships are deemed to be capital stock, and any division of profits to the owners of such interests are taxed as dividends.

TAX ON GROSS RECEIPTS.—Every company or limited partnership, incorporated by the state or

doing business within its borders, engaged in any way in the transportation of freight and passengers; and every telegraph, express, palace car and sleeping car company, incorporated or unincorporated, pays to the state treasurer an annual tax of eight-tenths of one per cent. on its gross receipts. This tax is payable semi-annually, on the last day of January and July. Sworn returns are made to the auditor-general. If the return is not made within thirty days after the tax is due, ten per cent. is added to the amount of the tax. When any company is engaged in mining, purchasing or selling coal, the receipts from such sources are not taxed, but every company so engaged must keep an account of the coal handled and charge itself with the transportation thereof, as if the coal were regular freight, and at the same rates, and the sums so charged are returned to the auditor general and taxed as a part of the gross receipts.

TAX ON INSURANCE COMPANIES.—Insurance companies, except those doing business on the mutual plan, without any capital stock or accumulated reserve, and mutual beneficial associations, whose fund is made up of weekly or monthly contributions and the accumulated interest of the same, are taxed eight-tenths of one per cent. upon the annual amount of their gross premiums.

TAX ON BANK, SAFE DEPOSIT AND TRUST COMPANIES STOCK.—By the law of June 30th, 1880, shares of stock in banking and savings institutions, and safe deposit, guarantee, surety and real estate, title insurance or trust companies, are made taxable for state purposes at the rate of three mills on the

dollar. But the above named corporations may elect to collect from the shareholders a tax of six-tenths of one per cent. upon the par value of the stock and pay the amount into the state treasury. In this case, so much of the shares, capital and profits as are not invested in real estate are exempt from all other taxation under the laws of the commonwealth.

TAX ON LOANS.—All public loans or stock, except those issued by the commonwealth or the United States, and loans held by corporations, are taxable at the rate of four mills on the dollar. In 1886, one hundred and ninety-three boroughs, thirty-four counties, eighteen cities and eighteen companies paid this tax, deducting it from the amount due their creditors. The companies contributed only $2,056.48, and the municipalities $262,842.81.

BONUS ON CHARTERS.—Before any company may go into operation it must pay the first of two equal installments of a bonus of one-fourth of one per cent. upon the amount of capital stock which it is authorized by its charter to have. An equal amount is exacted when the capital is increased.

TAX ON FOREIGN INSURANCE COMPANIES.—Insurance companies organized under the laws of any other state or county pay an annual tax of twenty-five dollars to the insurance commissioner.

LICENSES.

Licenses are the oldest source of revenue in the state, and in consequence of the great amount of

ghany county, fifty dollars; in any other county, thirty dollars. All brokers pay a tax on their licenses of three per cent. of their profits.

RESTAURANTS AND EATING HOUSES.—Beer houses, restaurants, eating houses and oyster cellars supplying malt liquors, or any kind of refreshment, are taxed according to their sales, the highest class paying $200 a year on sales of $20,000 and upwards, the lowest class paying five dollars a year on annual sales between $500 and $1,000.

SALE OF LIQUORS.—Wholesale dealers (selling more than a quart), pay an annual license fee ranging from four hundred and eighty dollars on sales of $300,000 and over, to twenty-five dollars on sales of $5,000. Retailers pay four hundred dollars on sales of $300,000 and over. The lowest license is twenty-five dollars. Licenses for taverns, hotels, and the like, are issued at the rate of seven hundred dollars for yearly sales of $10,000 or more. No license is issued for less than fifty dollars.

PEDDLERS.—A peddler's license to travel on foot is eight dollars a year; with one horse and a wagon, forty dollars; with two horses and a wagon, fifty dollars a year.

THEATRES, CIRCUSES AND MENAGERIES.—The price of a theatre, circus or museum license for the city and county of Philadelphia is five hundred dollars for one year; for Alleghany county two hundred dollars; for every other county fifty dollars. The price of menagerie license in Philadelphia is two

hundred dollars; in Alleghany county, one hundred dollars; every other county, thirty dollars.[1]

---

[1]The following table gives the principal treasury receipts for the year 1886. It is taken from the auditor general's report for that year:

Tax on corporation stock and limited partnership	$1,729,029 99
" gross receipts of corporations	1,210,582 60
" gross premiums	41,176 78
" stock of banks, safe deposit and trust companies	415,865 07
" foreign insurance companies	334,855 64
" loans	264,899 29
" net earnings or income	68,728 93
" personal property	674,624 14
" collateral inheritances	662,976 61
" writs, wills, deeds, etc	118,461 76
" sale of fertilizers	6,290 00
" gross receipts of notaries public	2,803 28
Notaries public commissions	10,425 00
Fees of public officers	55,494 88
Tavern licenses	444,548 34
Retailers' licenses	301,976 76
Eating house licenses	49,085 30
Wholesale liquor licenses	43,007 96
Brewers' licenses	17,485 02
Bottlers' licenses	5,439 20
Billiard licenses	30,649 92
Brokers' licenses	25,378 92
Auctioneers' licenses	17,017 85
Peddlers' licenses	1,920 19
Theatre, circus, etc., licenses	10,851 74
Bonus on charters	119,070 11
Alleghany Valley Railroad Company	217,500 00
United States government	149,000 00
Pennsylvania Railroad commutation of tonnage tax	460,000 00
Miscellaneous	31,563 77
Total	$7,520,711 13

The Revenue Act of June 30, 1885.[1]

The object of this act was to reach more effectively personal property in the shape of moneyed capital, which was bearing far too small a proportion of the burden of taxation. The valuation of personal property returned for state and local taxation is as follows:

Corporation stock	$675,872,763 33
" loans	237,088,544 00
National bank stock	61,261,140 00
State " "	8,161,954 00
County loans	70,154,347 00
Municipal loans	15,920,458 80
Money at interest	395,355,555 00
Total	$1,463,814,762 13

County, road, school, special and state taxes levied on personal property amount, it is estimated, to about $5,500,000. The distribution is as follows:

Tax on Corporation stock	$2,037,618 29
" Gross receipts of corporations	913,308 14
" Loans of corporations	711,265 63
" Gross premiums of insurance companies	39,158 93
" National and state bank stock	363,273 80
" Municipal loans	258,244 68
" Money at interest	1,186,066 66
	$5,508,936 13

The total real estate is estimated at $1,697,202,153, which pays taxes for all purposes to the amount of $30,395,350.08. When real estate was exempted from taxation for state purposes in 1867 it was intended that it should bear all the burdens of local taxation. The figures given above show how weighty the local burdens have become. Real estate

[1]Aud. Gen. Rep., 1886.

in Philadelphia bears a burden of taxation nearly twice as large as that borne by all the personal property in the state. It is estimated that if personal property paid the same mill rate as real estate, the tax would amount to more than $26,000,000 a year—$20,500,000 more than it now pays.

It is evident that at least some equalization is necessary. The act of June 30th, 1885, is not as effective as is desirable, but when it comes to be better understood the results will probably be more satisfactory. By this legislation the rate on personal property for state purposes was reduced from four to three mills on the dollar, and mortgages, and all other evidences of debt, all articles of agreement, or accounts, bearing interest, and all public loans, are exempt from all taxation, except for state purposes.

The increase of safe deposit, guarantee, surety and real estate title insurance, and trust companies, offered a convenient source of revenue, so they were taxed, by this act, three mills on each dollar of capital stock. By this act it is lawful for the above-named corporations, and for banks, to collect from the shareholders, at the time of interest payments, six-tenths of one per cent. upon the par value of the stock, in lieu of all other taxation. This exemption does not extend to real estate.

The tenth section of this act is designed to reach evidences of debt which had hitherto almost entirely escaped from taxation. County commissioners and boards of revision have power to appoint some one to examine the dockets of the recorders of deeds, mortgages, etc., from the year 1852, and the dockets of the prothonotaries and clerks of the court of common pleas from the year 1850, and to report the

number of unsatisfied evidences of debt and the name of the parties thereto. This information is filed in the office of the county commissioners or the board of revision of taxes. Every recorder of deeds is now required to keep a daily record of mortgages or other articles of agreement given to secure the payment of money. This record is filed every day in the office of the county commissioners or the boards of revision. Prothonotaries and clerks of common pleas are required to keep a daily record of all instruments entered of record to secure debts, and to file the record daily as above. At the time for making the annual or triennial assessment, the county commissioners, or the board of revision of taxes, furnish the assessors with statements, compiled from the daily reports, showing the number and amount of mortgages, etc., held in each township. Taxes upon all manufacturing corporations, except those engaged in making malt, spirituous or vinous liquors, or in the manufacture of gas, were repealed.

This act is likely to prove effective in increasing the revenue of the state, although at present it is very unpopular. Its passage was opposed by the capitalists, its enforcement has been hindered by injunctions, and its constitutionality has been questioned, though this point has been settled in the supreme court, and its constitutionality, as to the main features, is undoubted. The act of 1885 is practically that of 1844; it is only intended to supply the defects of the earlier personal property tax law. During the first year of its trial the act in question worked admirably. In 1885 the moneyed capital of the state subject to tax was returned at $145,286,762; 1886 it was $395,355,555, and this, it is most proba-

ble, does not include mortgages held by corporations. The state has never been successful in forcing corporations to return their mortgages. Since the passage of the act of 1885 borrowers have been compelled to agree to a stipulation that they should pay all taxes upon the amount loaned.

Constitutional Provisions Concerning Finance and Taxation.

The first constitutional provision regarding taxation is to be found in the frame of government of 1683. Section four of the "Laws agreed upon in England" provided "That no money or goods shall be raised upon, or paid by, any of the people of this province by way of a public tax, custom or contribution, but by a law for that purpose made; and whoever shall levy, collect, or pay any money or goods contrary thereunto shall be held a public enemy to the province and a betrayer of the liberties of the people thereof." This fundamental measure was embodied in different form in the declaration of rights of the constitution of 1776. "Every member of society," according to this document, "hath a right to be protected in the employment of life, liberty and property, and therefore is bound to contribute his proportion towards the exercise of that protection, and yield his personal service when necessary, or an equivalent thereto; but no part of a man's property can be justly taken from him or applied to public uses without his own consent, or that of his legal representatives.

Section forty-one of the constitution of 1776 reminds us of Adam Smith's fourth canon of taxation. The constitution says:

"No public tax, custom or contribution shall be imposed upon, or paid by, the people of this state, except by a law for that purpose; and before any law be made for raising it, the purpose for which any tax is to be raised ought to appear clearly to the legislature to be of more service to the community than the money would be if not collected, which being well observed, taxes can never be burthens."

The constitution of 1790 made no mention of taxation, either in the body of the constitution or in the bill of rights, but it provided that all bills for raising revenue should originate in the House of Representatives, giving the senate power of amendment, as in other bills.

The constitution of 1838 contained no provision regarding taxation or finance, but in 1857 an additional article was embodied, which was the parent of Article IV of the constitution of 1873. The amendment of 1857 limited the amount of debt which might be contracted to meet deficiencies in revenue, or to meet expenses not regularly provided for, to $750,000. This put an end forever to the disgraceful policy of borrowing instead of taxing. Section two of Article XI, as the new article was numbered, authorized the contraction of debts to repel invasion, suppress insurrection, defend the state in war, or to redeem (refund) the outstanding indebtedness of the state.[1] Section three forbade the contraction of any debt whatever, except for the purposes above mentioned. Section four ordered the legislature to create

[1]This is undoubtedly bad, as it compels legislatures to transfer to private corporations nearly all great public improvements, whether suitable for private enterprise or not. Consult on this point the instructive remarks of Professor Henry C. Adams, in his work, "Public Debts," Part I, Chapter V, and Part III, Chapter IV. Compare also his monograph, "Relation of the State to Industrial Action," in this series.

immediately a sinking fund sufficient to pay interest on the debt, and to reduce the principal by at least $250,000 per annum. The application of the revenues of the sinking fund were limited to the extinguishment of the public debt, except in case of war, invasion or insurrection, until the debt had been reduced below $5,000,000. Section four forbade the state from ever again entering into any illegitimate enterprise: "The credit of the commonwealth shall not in any manner or event be pledged or loaned to any individual, company, corporation or association, nor shall the commonwealth hereafter become a joint owner or stockholder in any company, association or corporation." Section six forbade the state to assume the indebtedness of any county, city, borough or township, or any corporation, unless such debt had been contracted for war purposes, to repel invasion, suppress domestic insurrection, or to assist the state in the discharge of any portion of the public debt. Section seven reads: "The legislature shall not authorize any county, city, borough, township or corporated district, by virtue of a vote of its citizens or otherwise, to become a stockholder in any company, association or corporation, or to obtain money for or loan its credit to any corporation, association, institution or party."

These provisions were rëembodied in the constitution of 1873. The constitution of the state as it now stands goes even too far in limiting, by the organic law, legislative control over the resources of the state. The disgraceful outcome of the public improvement policy would have been forestalled had some curtailment of the borrowing power been contained in the constitutions of 1790 and 1838.

Section 1 of Article IX of the constitution of 1873 provided that "all taxes shall be uniform upon the same class of subjects within the territorial limits of the authority levying the tax, and shall be levied and collected under general laws," but the general assembly may exempt property used for the good of the community: actual places of religious worship, places of burial not used for private or corporate profit, and charitable institutions. The power to tax corporations may not be suspended by any contract or grant to which the state is a party. The debt of any county, city, borough, township, school district, or other municipality or incorporated district, may not exceed seven per cent. upon the assessed valuation of the taxable property therein. No such municipality may incur any debt, or increase its debt to more than two per cent. of its assessed valuation, without the assent of the electors at a public meeting. Any city whose debt at the time of the adoption of the constitution of 1873 exceeded seven per cent. of its assessed valuation, may be authorized by law "to increase the same three per centum in the aggregate, at any one time, upon such valuation."

Provision was made for the continuance of the sinking fund. A necessary reserve, limited to the amount required for current expenses, must be kept, as provided by law; all moneys over and above this reserve are to be used in the payment of the state debt, either directly or through the sinking fund. The moneys of the sinking fund may never be invested in, or loaned upon any security, except the bonds of the United States.

Any public official, or member of the legislature,

using public moneys illegally, or making profit out of them, is guilty of a misdemeanor, and part of his punishment is disqualification to hold office for a period of not less than five years.

Under Article IV, section 16, the governor has power to veto any item, or items, of any appropriation bill.

EXPLANATION OF DIAGRAM.

[Five squares counted vertically stand for $250,000; counted to the right, five squares are equivalent to one year.]

▬▬▬▬ Expenditure on the public works. The sums which this line represents were paid to the commissioners of the internal improvement fund, who applied them in the payment of interest on the debt contracted for public improvements, and turned the balance over to the canal commissioners, who applied it to the expenses of construction and repairs. This line, therefore, until 1842, includes both interest on the public improvement debt and the cost of maintaining and constructing the public works.

— — — — — — Loans. Until 1836 this line almost coincides with the one representing the expenses of the public works. In 1836 borrowing ceased until the surplus revenue and the bank bonuses were spent. In 1842 borrowing practically stopped.

———— All revenue with the exception of loans.

~~~~~~~~ Interest on the debt computed at five per cent. In the latter half of 1842, in 1843 and 1844, no interest was paid, but the line is continued until 1845. After 1844 the line represents the amount of interest actually paid.

. . . . . Revenue from taxation. It will be observed that the revenue from taxation did not amount to more than the interest on the public debt until 1846.

— - — - — · — *Gross* revenue from the public works.
~~~~~~~~

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. No. 3. { } SIX NUMBERS A YEAR. PRICE $4.00 A YEAR.

THE RAILWAY QUESTION.

THE

Report of the Committee on Transportation

OF THE

AMERICAN ECONOMIC ASSOCIATION,

With the Paper Read at the Boston Meeting,

May 21-25, 1887,

ON

"THE AGITATION FOR FEDERAL REGULATION OF RAILWAYS."

By EDMUND J. JAMES, Ph. D.,

Professor in the University of Pennsylvania.

AMERICAN ECONOMIC ASSOCIATION.

JULY, 1887.

COPYRIGHT, 1887, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1887.

NOTE.—In addition to the papers printed in this number, a paper was read at the Boston meeting by Dr. E. R. A. Seligman, of Columbia College, on the long and short haul clause of the Interstate Commerce Act, and another by Simon Sterne, Esq., of New York, on Some Aspects of the Railroad Question in Europe, which have been printed elsewhere. The papers were followed by a discussion in which Professor Hadley, of Yale College, Mr. Sterne, Mr. Edward Atkinson and others, took an active part. The substance of their remarks will be found in the report of the proceedings of the association.

TABLE OF CONTENTS.

	PAGE
I. REPORT OF COMMITTEE	9
Importance of subject assigned the committee	11
Definition of field of investigation	14
Outline of topics to be considered	15
Professor Jenks's proposed work	15
II. PAPER ON AGITATION FOR FEDERAL REGULATION OF RAILWAYS	19
Energizing of federal authority by course of economic development	19
Primitive character of national economy a century ago	21
Changes wrought by introduction of railways	22
Appearance of evils in railway system	24
Examples of abuses	25
Results of these evils and abuses	29
Powerlessness of the states to remedy them	30
Beginning of agitation for federal regulation	32
Report of June 9, 1868	33
Windom report of 1873	35
Comparison of the two reports	39
Cullom report of 1886	40
Indictment of our railway system in Cullom report	42
Cause of abuses	44
Discussion of Cullom bill—great majority finally voting in its favor	45
Constitutional objections	46
Character of the bill	47
Results to be expected from it	49
Growth in railway as compared with canal traffic	51
Supreme court on powers of the states in regard to interstate commerce	52
Economical effects of waste of capital in American railroad construction	56

PAGE
Comparative superiority of American railway system.. 57
Cheapness of transportation..... 58
Subsidies to railroad corporations..... 59
Need of accurate statistics in railroad matters..... 59
Rapidity of movement..... 59
Illinois Central Railroad land grants..... 60
Functions of canals in a system of transportation..... 61
German and French views..... 61
Canals as regulators of railroad rates..... 62
Provisions of interstate commerce law..... 64
Senators Morgan and Stanford on interstate commerce law..... 66

REPORT

OF THE

Committee on Transportation

OF THE

AMERICAN ECONOMIC ASSOCIATION.

MEMBERS OF THE COMMITTEE.

E. J. JAMES, CHAIRMAN,
RICHMOND M. SMITH,
LYMAN ABBOTT.

HONORARY MEMBERS.

HON. CHARLES FRANCIS ADAMS, JR.,
HON. N. W. ALDRICH,
JUDGE T. M. COOLEY,
HON. SHELBY M. CULLOM,
MR. ALBERT FINK,
MR. H. F. HUDSON,
HON. J. H. REAGAN,
MR. SIMON STERNE.

Members of the American Economic Association:

As the chairman of the committee which enjoys the honor of being the first to present a report on one of the topics for the investigation of which the Association was formed, I cannot refrain from congratulating you upon the success which has crowned our first year of effort. The occasion of our organization was unusually favorable. There has never been a time when there were so many important economic problems waiting for their solution; or such ample facilities offered for their investigation; or such widespread interest on the part of the public in all attempts to solve them. There is, moreover, an unusual willingness on the part of nearly everyone, who is in a position to do so, to assist in the furtherance of such objects as we have set before us in this society.

The plan of our organization includes among other things the appointment of a number of committees, to each of which shall be assigned some department of economic inquiry, with the idea that they shall present from time to time to the Association reports upon one or another of the various topics embraced within their respective fields. For the purpose of securing the widest practicable coöperation of all who are working at the same problems, the committees have been authorized to invite the assistance of workers from every direction, whether members of our Association or not.

In soliciting the aid of men known to be interested in the topic of transportation, your committee have been agreeably surprised to receive such ready responses of interest in the work and promises of help of whatever kind they could render from men in every part of the country and in every branch of business. The names printed as honorary members of our committee include only a few of those who have expressed themselves as willing to coöperate with us.

The fixing of the meeting at the present time instead of in September, as I had anticipated, interfered with certain contributions which I had been led to expect from some of the honorary members of the committee. I have good reason to hope that we shall have some substantial aid in our work of investigation in the future, not only from the gentlemen named in this list, but from others as well who have signified their willingness to assist.

It was the desire and intention of the chairman of your committee to present at this meeting a report which should contain some substantial contribution to one or another of the phases of the great subject which you have assigned us. It has been found impossible, however, to prepare, in time for this meeting, any report which, while treating of any of the great mooted questions, would command the hearty assent of all the members of the committee. It has appeared, therefore, best to make our report on this occasion rather a statement of our proposed plan of work, and to submit in connection with it the papers which you will find announced in our programme as contributed by the various members of the Association.

The subject of transportation which you have assigned to us is one of the broadest and most important in the whole field of economic investigation. It concerns a set of economic institutions and forces which exist in some form or other in even the most primitive societies, and whose importance increases with every increase in population and wealth. It is impossible to conceive of any advance in civilization which is not preceded or accompanied by a new development of commerce, using that term in the widest sense. And as society advances it is absolutely necessary that the system of transportation and communication should be also developed. If at any time in the progress of a nation the means and facilities of transportation were suddenly and permanently abridged, there would surely follow stagnation, if not decay and ruin. Important as they are to any and all stages of society, they are of almost infinite importance to a society like our own, where, owing to the division of labor and the elaborate system of exchange, so large a portion of our wealth passes through the agencies of transportation and is affected by the character of the system.

The subject has many different aspects, a few only of which fall within the scope of our investigation. The development of a system of transportation depends, of course, very largely on technical discoveries and inventions. The discovery of the expansive power of steam, the invention of the thousand and one devices necessary to the utilization of this power, the machinery necessary to dig and grade, and manufacture the rails and construct the roadbed, etc., are all necessary elements in any progress in this field. With all these things, however, we

have nothing to do, except so far as any particular social, economic, or legal system may favor or discourage improvements along these lines.

On the other hand, the development of a system of transportation and communication depends also, and quite as much perhaps, on an entirely different set of conditions, viz.: the policy of society and the government in reference to the development and organization of such a system. In the development of the facilities for transportation, government has in all civilized countries taken an active and promoting share. In certain matters it is absolutely necessary to call upon it for its coöperation and assistance. The laying out and construction of roads, the improvement of rivers and harbors, the digging of canals, the organization of corporations, all necessitate the exercise of what is essentially a governmental power, whether it proceeds directly from a regularly constituted civil government or from the initiative of men, who for the time being exercise the necessary authority.

Take, for example, a railroad. It would certainly have been impossible to develop the railway system to anything like its present extent, or to the importance which it now possesses for our modern life, without the exercise of the right of eminent domain. And this right is peculiarly a government prerogative. It would have been impossible to collect the capital necessary to construct the roads in their present form without some kind of joint-stock association, with limited liability and ready transference of stock and bonds. This could be created and guaranteed only by the action of government. A railroad corporation is a pure creature of law,

every quality and faculty of which must find its source in positive enactment. It is impossible to protect the rights of those who are dependent upon the railway except by positive interference of government, creating new rights and duties, enlarging and confirming old ones, and providing new and more efficient remedies. There is not a single provision in a railway charter, or general railway law, from beginning to end, which does not demonstrate the controlling and shaping power of government. Every clause either confers or withholds power, or determines the way in which it may be exercised. And in connection with every one of these the questions arise, Should it be so or so, and why or why not?

Here, then, is a department of political economy in which government activity of some sort is absolutely necessary, since no activity at all is activity of the most intensive kind. Here, therefore, he who believes in the desirability of extending government functions in certain directions, and he who believes that they should be still further limited, may join in earnest and serious investigation to determine, as far as possible, the effects which will be likely to flow from one or another line of policy. And what is true of the railway is true, to a greater or less extent, of all the means and facilities of transportation and communication, such as canals, steamboats, turnpikes, street railways, telephones and telegraphs.

It is to the economic aspects of this subject, in connection with its relations to our government and our society, that your committee expect to devote their attention. The social, economic and

political significance of the means and facilities for transportation is destined to be even greater in the future than at present. The solution of the many vexing problems connected with the subject will be even more fundamentally connected with the solution of all our other social problems than it is today. It will surely, therefore, be increasingly worth our while to devote our best effort to the study of this topic.

We purpose, then, to investigate the social, economic and political aspects of the problems of transportation, taking account of the technical sides only so far as may be necessary to arrive at sound conclusions in regard to the former. Such questions as the following will command our attention: What is the effect upon our society, government, industry, of any given organization of our system of transportation? What results flow from specific lines of policy, such as allowing railroad officials to determine the rates of fare and freight on any considerations which seem to them sufficient? or from allowing anybody and everybody to build railways wherever and whenever he pleases? What is the economic function of the canal in our modern system of transportation, and how can it be fulfilled? What should be the relation of the government, whether federal, state or local, to the opening, construction, improvement or regulation of land and water ways of all sorts; and to the organization, management, supervision and control of the business of transporting persons, news, or commodities?

The following outline represents a provisional division of the field, which will show clearly enough

for our present purpose the general character of the proposed work:

I. The railway, in its economic, social and political relations.

II. The wagon road.

III. The canal.

IV. The telegraph and telephone.

V. The postal and express service.

VI. Local means of transportation and communication, such as street railways.

These topics are of course, all intimately connected with one another, and the division is not exhaustive. But it corresponds closely enough for our present purposes to the questions now before the American people which relate to the problems of transportation. Some of them are of much less importance than others, which will be recognized by the smaller amount of attention given to them, but they are all of sufficient significance to merit considerable investigation on the part of the members of our Association and others whom we may succeed in interesting in the matter.

As a specimen of the proposed work the committee would submit the following outline of an investigation now in progress for the Association by Professor Jenks, of Knox College, Galesburg, Illinois:

ROAD LEGISLATION FOR THE AMERICAN STATE.

Introduction—A brief discussion of economic significance of roads.

A. I. IMPORTANCE OF COUNTRY ROADS.

1. Amount of traffic.
2. Cost of traffic on common roads.
3. Cost of traffic on good roads.

II. Relation of Roads to the Railway.
1. As feeders to the railways.
2. As competitors of the railways.
3. Effect of character of roads on the net-work of railways.
4. The effect of the railroad on the road system.

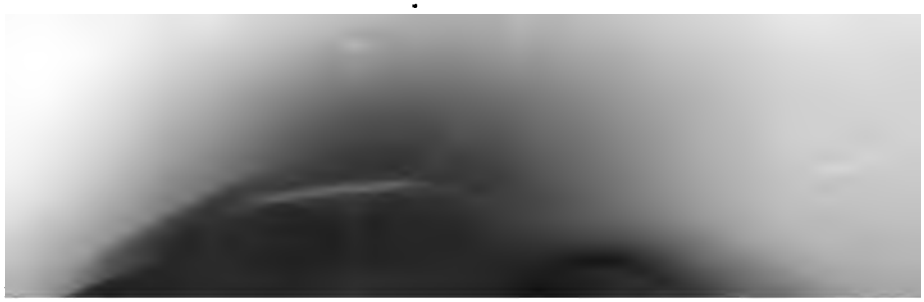
B. III. Road Legislation.
1. Roads systematized and classified.
   a. state; *b.* county; *c.* township.
2. Road Officers—Those adapted for the carrying out of such a system with details as to election or appointment, duties, etc.
3. Discussion of such a system.
   a. Advantages and disadvantages compared with present system as regards efficiency in making and repairing.
   b. Relative cost as compared with present.
   c. Political significance—centralization vs. decentralization.
   d. Practicability, etc., etc.
4. Revenue for road-purposes.
   a. State, county, town.
   b. Property-tax, poll-tax.
   c. Labor vs. cash system.

All of which is respectfully submitted.

Committee, { E. J. James, *Chairman.*
Richmond M. Smith.

Boston. Mass., May 23d, 1887.

P. S. Mr. Lyman Abbott, the third member of the Committee, was not present.



THE AGITATION

FOR THE

Federal Regulation of Railways.

By

EDMUND J. JAMES, Ph. D.,

Professor in the University of Pennsylvania.

FEDERAL REGULATION OF RAILWAYS.

The history of the railway, as perhaps that of no other economic institution of our national life, serves to illustrate the inevitable tendency of a strong government, if not to extend the actual sphere of its duties, at least to increase in importance by the growing importance of its functions. It may be a fair question of dispute whether our federal government, for example, had prior to 1860 really extended its functions, constitutionally speaking, since its foundation; but I take it there will be but little dissent from the opinion that it occupied then a much more prominent place in the mind of the average American citizen than it had done seventy years before, and that this prominence has been increasing ever since. So completely has the nation absorbed the political interest of the community that it is now recognized as one of the serious evils of our time that it is impossible to get our citizens to look at a local matter from a local standpoint instead of from a so-called national point of view. A man who is a republican in national affairs thinks he must favor and vote for a straight republican ticket in local matters.

Concentration of interest in our federal government and its doings is one of the most noteworthy phenomena of our political life. "It has been truly said," remarks Judge Cooley in his treatise on constitutional law, "that power when it has attained a

certain degree of independence and energy goes on to further degrees. But when below that degree the direct tendency is towards further degrees of relaxation until the abuses of liberty beget a sudden transition to an undue degree of power. The government of the United States was below the degree of self-protecting energy while the articles of confederation constituted the bond of union, but it attained at a bound to due energy and independence under the administration of Washington and Hamilton, while the judiciary was in accord with their views, and if the period of relaxation ever came, its influence upon the authority asserted for the government was not great and was only temporary. The principles that at one time applied the power over commerce to the regulation of navigation at a later day are found equally applicable to traffic and travel by railroad and communication by telegraph; and though these new applications of principle do not in the least depart from or enlarge former doctrines, they nevertheless strengthen greatly the national power by the immensity of the interests it is thus invited to take under its control. So the authority to purchase territory at one time is found equal to annexation of an independent state at another. This gradual energizing of federal authority has been accomplished quite as much by the course of public events as by the new amendments to the constitution; and however careful every federal official and every citizen may be to so perform all political functions as to preserve, under all circumstances, the constitutional balance of powers and to sanction no unconstitutional encroachments, there can be no question that the new interests, coming gradually within the purview of federal

legislation, and the increase in magnitude and importance of those already under federal control, must have a still further tendency in the direction indicated."

This tendency has been hastened, to a remarkable extent, as noted in the above quotation, by the course of our economic and constitutional development in regard to matters pertaining to regulation of commerce. Commerce was, of course, at the time of the establishment of the Union, of enormous importance to the welfare of the country, and the grant of the power to regulate commerce to the federal government was, even at that time, sufficient to relegate the states to a very subordinate position in the national life compared with what they would have assumed without that limitation. But, after all, the community was still in many respects in a primitive state. The individuals produced very largely in their own families and on their own farms what they wanted to consume. They were still largely independent of other producers for the essentials of life. The system of exchange was not yet of that fundamental importance which it afterwards attained. Moreover, the regulation of commerce did not probably mean, in the eyes of the men of that time, a regulation of the highways and the toll policy of the state. Many of the circumstances which nowadays are almost indissolubly united, as, for example, in the case of the railway, the construction and repair of the road-bed, regulating the tolls upon them and the carrying business itself, were at that time entirely distinct, and scarcely any of them were, in the thought of that period, regarded as matters for the federal government to act upon.

With every advance, however, in the development of our system of commerce, the whole matter became of more importance, and the view which regarded the nation as a whole in distinction from the state as having a stake in this matter become more general. More and more of the labor of the country was employed, not in producing the things which the laborers themselves expected to consume, but in making one kind of thing with the idea of selling it to somebody else and with the proceeds purchasing what they wanted to use. This, of course, meant that the system of transportation and commerce was becoming of more and more fundamental importance, and that the question of the commercial policy of the country was assuming a hitherto unheard of significance to the nation as a whole. It is probable that even if the railroad had not been invented and brought into such general use, we should still have experienced this gradual extension of the federal power in regard to commercial matters.

But the coming of the railway hastened this process enormously. It is true that the significance of this fact was not noted, or at least acted upon, in the early days of the railway system. It took a generation for this point to come prominently into notice. But it lay in the nature of the case, and sooner or later it was bound to come to the front. A system of transportation, under which the construction and ownership of the road-bed, the fixing of tolls and the actual carrying business of transportation should all be vested in one and the same body, was surely destined to bring about entirely new combinations in business which could not fail to call for a new system of regulation of commerce. The general intro-

duction of the railway and the peculiar economic conditions of the country, the lack of waterways and even of passable highways on the land, all combined to give to the railroad a practical monopoly of the whole business of transportation. The growing division of labor and the consequent extension of the system of exchange resulted in the fact that more and more of what was produced in the country was actually, at some time or other in its course, transported for a longer or shorter distance on the railroad. This was at least true of nearly everything that was brought to market and put in competition with the products of other markets.

In a word, then, the whole system of transportation of the country tended to become a monopoly, at the same time that more of the wealth of the country was transported and became subject to the charges of this monopoly system. It followed, as a matter of course, that a larger and larger proportion of the wealth of the country was transported from one state into or across another. This circumstance brought it into the category of interstate commerce, which, by the terms of the constitution, was placed under the control within certain limits of the federal legislative.[1]

As long as the industrial system of the country was not preëminently an exchanging one, *i. e.*, as long as the wealth produced in one state was chiefly consumed in that state, the courts were rather conservative about limiting the power of the state to make regulations on the subject of commerce, and the early decisions, while giving extensive powers to Congress and limiting those of the states very much,

[1] See Note I, p. 51.

still left a very liberal field for state action. With every increase, however, of the field of competitive production and long distance traffic the courts showed a tendency to decrease still further the power of the states for the benefit of federal power. A long array of decisions might be quoted in which the tendency is plain to sustain, as far as possible, the power of the states to make regulations of commerce under the exercise of the police power; while the late decisions show as marked a tendency to abridge this power within the narrowest limits consistent with constitutional law.[1]

These various circumstances, then, the growing importance of the railway system, the changing character of our industry and the limitations of state power by the constitution, could not but result in making it necessary for the federal government to regulate the railway also in case there should ever be any need of regulation.

The agitation for federal regulation, therefore, was bound to appear just as soon as any evils appeared in our railway system of transportation which the states for any reasons could not remedy.

The evils in the railway system did not let us wait long for their appearance. But they were at first of so slight character, as compared with the enormous interests to be served by the rapid extension of the system, that those who pointed out possible evils were looked upon as Cassandrian prophets, and scarcely worth consideration. The states were eager to have railways, so eager, in fact, that they began to construct railways on their own account, or to grant large subsides to those who would build them.

[1]See Note II, p. 52.

When grave abuses showed themselves in this policy, instead of trying to remedy them by securing a better administration, they allowed their administration to grow worse, and threw up the attempt to construct or build railways on their own account. They then opened the doors to so-called competitive building and allowed any five or ten men to start in on the construction of a railway who could scrape together a few thousand dollars to start with. In order to compensate for the great risks which builders had to take under such circumstances, they allowed them all sorts of opportunity to enlist the speculative and gambling spirit in the community in their aid, offering thus the possibility at least of enormous fortunes to those who could successfully sell out the public and manipulate the stock market. They allowed towns and counties to make great subscriptions in aid of all sorts of absurd undertakings, but took no measures to prevent them from becoming the victims of a set of sharpers whose equals would be looked for in vain almost anywhere else in the world. They gave to these companies all powers to take land by the right of eminent domain, and fix their rates at pleasure. In a word, all sorts of inducements were held out to secure the building of railroads. It is not a matter of surprise, therefore, that evils and abuses soon showed themselves.

It soon appeared, for example, that it was possible for men to form a company for the building of a railway by paying in, say five per cent., of the nominal capital. They would form a construction company within the general company to whom would be left the job of building the road. In their capacity as directors of the original company, they would

issue to themselves, as directors of the construction company, bonds of the road at a high rate of interest, in payment of enormous charges of construction. After constructing the road they would borrow money with which to pay interest on the bonds and also dividends on the stock, so as to make the public believe that the road was a paying institution. They would then sell out the stock and bonds after they had by this means forced up the market value as high as they could, and retire after making enormous fortunes, leaving a bankrupt road in possession of the stockholders or bondholders. The cost of constructing the road would be swollen in this way to three or four times the actual cost. The obligations of the road, as represented by the stocks and bonds, would represent often four or five times what it would really have cost to construct the road with anything like a fair degree of honesty and economy in the enterprise. This enormous burden of debt would serve as an excuse for enormously high charges for freight and passenger traffic, and although the conditions of competition may at times have prevented them from actually collecting these charges, they levied them wherever they could, which was always the case on stretches of the road where no competition existed. And at any rate they always had an excuse for such charges as they could levy, in the fact that they were not making any more than the current rate of profit on their capital, including stock and bonds. And this, of course, was very often true of those who had bought stock of such roads when it had been thus artificially boomed for the purpose of selling out.

It was found again that the directors of the rail-

roads, even where they had been constructed with some reference to honesty and economy, had interests which were not necessarily the same as those of the rest of the corporation or of the public. For example, the directors were often interested in manufacturing or trading enterprises where it was necessary to resort to the railroads in the course of their business. By giving to themselves, as directors, special rates and privileges, it was possible to build up their own business at the expense of rivals, thereby practically depriving the public of free competition in the particular branches of industry on the one hand, and cheating their fellow-stockholders on the other hand, by lessening by so much the possibilities of income, and consequently the frequency or size of dividends.

It was, moreover, possible for the directors to form companies of all kinds for the purpose of supplying the parent company with supplies, or of doing certain kinds of business for it, and, in their capacity as directors of the parent companies, awarding to themselves as directors of the barnacle companies fat contracts of all sorts, which increased the expenses of the road, raised the charges of service, thus cheating the public on the one hand and the stockholders on the other.

It was also found that directors could grant special rates to men who brought business to the railroad on condition that the latter would pay them handsomely as individuals for using their power as directors or officials for their benefit.

This power of fixing the rates at pleasure led to all sorts of privileges to individuals, or families, or

communities, which, by the very fact of their existence, produced an artificial state of industry in which it was absolutely impossible for an enterpriser to estimate the probable profits of a business until he had come to terms with the managers of one or more railroads to give him some special tariff. This system led to all sorts of bargains, and put in the place of the skill or industry of the manager the grace of some railroad corporation as the deciding factor of industrial success or ruin. As examples of the deals within the railway itself, none were more common than for some of the directors of a railroad to build a branch railroad, and then, after stocking and bonding it heavily, sell it out to the parent road at a high valuation. Among the minor, though most common forms of this kind of illegitimate manipulating, should be mentioned that by which the directors of a road buy up real estate in a certain locality and then place a station there so as to enhance the value of their property; or where they charge more in the neighborhood of a large city for a fare to a near station where they do not own land than to a more distant one where they do own real estate which they are eager to sell.

It soon became evident also that the competition on which the community had counted with so much certainty as a means of regulating the railway system failed utterly to be a satisfactory means of securing the reformation of abuses and the lowering of the fares. In the first place, in the very nature of things, competition over most of the line was basolutely impossible since two lines could not be built parallel from every station to every other. It was, therefore, only a very few places where competition

had an opportunity to show itself.[1] Even in these few places the competition was not regular or persistent. Now and then a struggle would occur between competing lines, but it did not last long and was generally followed by a relapse into the old way of doing things. Either some sort of agreement was arrived at by which both companies agreed to divide traffic or earnings, or to maintain rates, or some other device was adopted to abolish competition and put combination in its place. Ultimately one road would be bought up by the other, and the semblance even of competition would disappear. At the very best, one of the roads would be forced into bankruptcy, and then by its cut-throat competition would force the other along the same road; reorganization would follow, and new stock and bonds would be issued in such a way that, after all, the traffic between the two points would have to pay interest on two capitals instead of one. The outcome would be an enormous loss of money, respectively capital, not merely to the men who had put their money into the concern, but to the country as a whole.[2] It happened at times, indeed, that a road was built merely for the purpose of making some other competing road buy it out, which was nearly sure to be done in the long run.

[1] "On the first day of January, 1887, there were, according to the Chief of the Bureau of Statistics, 33,694 railroad stations in the United States, of which 2,778 were junction points, *i. e.*, are points where there are more than one railroad, leaving 30,916 stations where there is but one railroad."—*Speech of Senator Cullom, Jan.* 17, 1887.

When we consider that many of these junction points were on roads not having even a terminus in common, it is evident that the field of competition is relatively small.

[2] See Note III, p. 56.

Many other abuses were developed which I cannot stop here to describe. Suffice it to say that, taken as a whole, they became unbearable. Arbitrary charges, high charges, discriminations between persons, things, places, disregard of the rights of the public in every direction, became characteristic of the management of such a large number of the roads as to make railroad fairness a mere byword. A general demand made itself heard for some sort of regulation. But by this time the railroads had become so powerful that they were able, in some states, practically to control any legislature that could be elected in such a way as to prevent any action unfavorable to their interests, no matter how much their own action was unfavorable to those of the public. In other states commissions of various sorts were appointed to supervise the execution of railroad laws which the legislatures placed on the statute books. In some of the states laws were passed which were evidently dictated by simple hatred of the railways and were calculated to injure the public interest rather than redress grievances. It was also soon found, as noted above, that an attempt on the part of a single state to make regulations in regard to railways engaged in interstate traffic was unconstitutional and could not be enforced, except those few rules which might be subsumed under the police power, and the courts were tending to limit these as much as possible. Any attempt to regulate the rates of fare or freight on the railways were met by the threat that capital would not be invested in a state which attempted to interfere with its possible profits while there were other states which did not lay such burdens upon it. In some states where it would

have been possible to regulate the rates within certain limits, as on the great Pennsylvania Railroad, it was said, if you should do this it would simply lead to throwing this traffic into the hands of the New York Central, on the one hand, or the Baltimore and Ohio on the other. It was, moreover, very plain that in some states, a policy which the people would have been very glad to see applied within certain limits would not please them when universally adopted. Thus in such a state as Kansas while a certain kind of regulation as to long or short haul might suit them very well within the limits of the state for state traffic, it would not suit them so well if applied to produce which they have to send out of the state to other places. And so from one cause in one place, from another in another, and from both in a third, it soon became evident to all those who saw in the principle of competition no hope of a regulation of the railroad system (such as is imperatively demanded by all the interests of our industrial organization) that the only prospect lay in federal interference and regulation. In the federal government is to be found the adequate constitutional power; there only the opportunity to disregard the local elements whose contest made state supervision impossible. And accordingly we find, beginning about twenty years ago, a movement in favor of some sort of action on the part of the federal government, which, after it was fairly before the public, never ceased to advance until in the last Congress a law was passed which finally marked an epoch in the relation of the federal government to our railway system.

It will not be possible for us on this occasion to follow in detail the course of this movement from

its beginning until the present. I shall, therefore, content myself with a brief reference to the first report on the general subject which was made to Congress, and with a short presentation of the substance of the two most important of the following reports: The so-called Windom Report of 1873, and that of the Select Committee of the Senate, known generally as the Cullom Report of 1886.

Even before the close of the war there was a growing tendency manifest to look toward the federal government for some relief for certain of the evils which had shown themselves in the transportation system of the country. During the second session of the Fortieth Congress, in the year 1868, several resolutions were presented in Congress looking toward taking some action in the premises. On the 7th of January, 1868, Mr. Davis moved in the Senate that the committee on commerce be instructed to inquire into the expediency of regulating the various railroads in the United States that extend into two or more states as to rates of fare, freight, etc., etc. In the House, Mr. Loughbridge, on the 3d of March, offered a resolution instructing the committee on judiciary to inquire into the power of Congress to regulate the rate to be charged for freights by railroads engaged in commerce between different states of the Union. On April 27th, in the same House, Mr. Orth moved that the committee on roads and canals be instructed to inquire whether Congress has the power to provide for the regulation of railroads extending through several states so as to secure:

1. Safety of passengers.
2. Uniform and equitable rates of fare.

3. Uniform and equitable charges for freight or transportation of property.

4. Proper connection with other roads as to transportation of passengers and freight, and if, in the opinion of the committee, Congress possesses such power to report a bill which will secure foregoing objects.

A report was actually presented to this House on June 9, 1868.

The report is noteworthy for the strong ground it took in favor of the widest interpretation of the powers of Congress in the matter of the regulation of the railway traffic. Indeed, the whole report was devoted to an argument on the question whether Congress had this power under the constitution, only the last paragraph containing anything about the expediency of Congress taking any steps in the direction of exercising this power. The report of the majority, which only embraced some seven and one-half pages, was a masterly presentation of the view that the federal government had the broadest power in the premises, and insisting that it would surely, in the course of time, be obliged to exercise the power. Their answer, in brief, to the questions which they were instructed to investigate, was that Congress had full power to provide for the safety of passengers, for uniform and equitable rates of fare, for uniform and equitable rates of freight, and for proper connections with other railroads in regard to all railways engaged in interstate traffic, but that they were not ready to offer any bill to secure these objects, because they had not the necessary information to enable them to make intelligent recommendations. They proposed, however, that a com-

mission should be appointed, whose duty it should be to collect this information. Congress did not act, however, on the suggestion of the committee.

The matter was not destined, however, to rest here. Memorials began to pour in upon Congress from every direction, praying for relief from various specified evils, which, in the opinion of the petitioners, could not be remedied by any other agency. The crisis of 1873 and the resulting Granger agitation quickened enormously the public interest in the topic, and the really wide-spread agitation dates from 1874.

The President, in his message of December, 1872, invited the "attention of Congress to the fact that it will be called upon at its present session to consider various enterprises for the more certain and cheaper transportation of the constantly increasing Western and Southern products to the Atlantic seaboard," said that the subject is one which will force itself upon the legislative branch of the government sooner or later, and suggested therefore that immediate steps be taken to gain all available information to insure equitable and just legislation, and recommended the appointment of a committee to take up the whole matter and report to Congress for its better guidance in legislating on this important subject. Following out this suggestion the Senate appointed a committee of seven, to whom that part of the President's message was referred on the 16th of December. On the 26th day of March following leave was given this committee to sit during the recess of the Senate.

The problem, as it lay in the mind of the President and the Senate, was rather the question of

cheaper transportation than the abuses in regard to other matters which had revealed themselves in the management of the railways. And although the committee kept this point ever in mind, they investigated at the same time all phases of the railroad problem which came before them. The report is interesting, as it contains for the first time a comprehensive plan of regulation of the whole subject of commerce between the states, as it has constituted itself since the introduction of the railway. Its intrinsic and historical importance will justify a somewhat extended notice.

The summary of conclusions and recommendations presents in a nut shell the results of their work, and shows the direction in which public thought was at that time tending.

The summary begins by asserting the importance of the problem of cheap and ample facilities for the transportation of commodities between all parts of the country, claims for Congress ample power under the constitution to regulate inter-state commerce in every respect, even to the extent of constructing and operating railroads and canals on its own responsibility, allows that a remedy for some of the abuses existing may be found in a plan of regulation and supervision, but rejects this plan as impracticable in the present state of our knowledge of the transportation system of the country, at least as a means of securing the desired ends in railroad regulation. The object which they emphasize as the chief one is cheap transportation.

They then proceed to recommend certain measures as likely, in their opinion, to help in the attainment

of the end in view. The most important of these were the following—

1. Absolute publicity of all rates, so that every shipper might know exactly what terms every other shipper obtained, and a prohibition of any increase of such rates without reasonable notice to the public.

2. The absolute prohibition of the combination or consolidation of competing lines.

3. That all railway companies engaged in transporting grain be compelled to receipt for quantity and deliver the same at destination.

4. That all railway companies and freight organizations receiving freight in one state to be delivered in another, and whose lines touch at any river or lake port, be prohibited from charging more to or from such port than for any greater distance on the same line.

5. The prohibition of stock watering, though this matter must be left to the individual states, since it does not fall within the power of Congress.

6. The absolute prohibition of the officers of railway companies from being directly or indirectly interested in any non-coöperative freight line operated on their road.

7. The establishment of a bureau of commerce whose duty it should be to collect information on the whole topic of domestic transportation and to supervise the execution of such federal laws as Congress should pass. It should be empowered to require from every company engaged in interstate commerce full statements as to the following points: (*a*) The tariff for passengers and freight, together with all special rates, drawbacks, deductions and discriminations. (*b*) Receipts and expenditures, including compensation paid all employés and officers or agents of the company. (*c*) The amount of stock and bonds issued, the price at which they were sold, and the disposition made of the proceeds. (*d*) The amount, direction and kind of traffic.

The committee were however of the opinion, that even after all these recommendations should be carried out, yet the problem of cheap transportation would not be solved by any or all of these measures. To ensure the latter object they were of the opinion that free competition was absolutely necessary. Under ordinary conditions of the railroad business such competition is impossible, since in some form or other

practical combination was sure to result, no matter what restrictions might be imposed by law. The only way to insure this competition lay in the opening up of several lines of water ways under the control of the federal government, the use of which should be to open to everybody on the same terms. To supplement these and complete the ensurance of free competition it is also necessary that the federal government should construct one or more trunk lines between the West and the East, which should be operated in the same manner essentially as the canals, for the purpose of regulating rates, etc., by competition from a line which could not enter into combinations of any sort with existing lines.

It is interesting to note that this committee still believed in competition as a satisfactory means of regulating railroad transportation. They admitted, it is true, that competition among lines which were free to make their own engagements was not and never would be effective, but they still thought that competition between lines, which, by the very nature of the case, could not combine, would bring about the desired results. It is also significant that the committee saw in the development of a line of water ways an indispensable condition of any great improvement in the cheapness of transportation.

Nothing came of these recommendations, but the report served to direct public attention still more powerfully to the importance of the question in general and the imperative necessity of the federal government taking some measures in relation to the matter. The great change in the railroad conditions of the country after 1873, the rapid fall in the rates of transportation over large portions of our railway

gave rise to most difference of opinion among the promoters of legislation, were the so-called long and short haul clause, and that prohibiting pools.

After several long discussions of the subject in Congress, the Senate authorized its President to appoint a select committee of that body to investigate the subject. This committee was appointed March 21, 1885, and made its report as noted above, January 18, 1886.

We must be satisfied with a brief examination of it in this connection. They begin with a short introduction, emphasizing the importance of the topic. They next examine the power of Congress to regulate commerce. This is followed by an examination into the economic and social functions of the railway. A review is next given of the various systems of state regulation adopted in the different countries. The subject of competition by water ways is then discussed. The necessity of national regulation of interstate commerce is then emphasized. This is followed by an examination of the abuses to be abated, the methods of doing it, and the report is closed with the recommendation that the bill be passed which the committee submitted with its report.

Certain points are worth mentioning. This committee agreed most emphatically with the committee of fourteen years before in regard to the influence of water routes on railway charges. They give it as their conclusion that natural or artificial channels of communication by water, when favorably located, adequately improved, and properly maintained, afford the cheapest method of long distance traffic now known, and that they must continue to exercise in

the future, as they have invariably exercised in the past, an absolutely controlling and beneficially regulating influence upon the charges made upon any and all other means of transit. In another place they say: "The cheapest mode of transportation is by water. The railroads have accomplished wonders, but no railroad can successfully compete with a free and unobstructed water route, so far as the cost of carriage is concerned. Therefore, to secure the blessings of cheap transportation, and to hold our place among the nations of the earth, we must develop our natural waterways to their fullest capacity and give the benefits of lake, river and canal communication to the people of all the states as far as practicable." They add an emphatic recommendation that the federal government take up in earnest this branch of internal improvements.[1]

The report states in a clear way the abuses which have grown up under our present system, pointing out how such abuses were bound to arise under any such system, and how there is no tendency to get rid of them, but rather to intensify them as time goes on. The only way to remedy them is by state regulation. The states of the Union are precluded, by the federal constitution, from any effective regulation. It devolves, therefore, upon the federal government to do this work. The most important step at present is one securing absolute publicity in the rates of fare and freight of all railroads, and forbidding discriminations between places, persons and traffic. To do this, it is necessary to provide some better means of protecting acknowledged rights than is now available. This can be done by the

[1] See Note V, page 61.

establishment of a commission charged with superintending the execution of the law.

As a result of the report of this commission, and other influences, a law was passed as a compromise measure, which is known as the Interstate Commerce Law.[1]

It is worth while to note the indictment which the Cullom committee bring against the present railroad management of the United States. The substantial truth of every count is generally admitted by railroad managers themselves.

The Causes of Complaint Against the Railroad System.

The complaints against the railroad system of the United States expressed to the committee are based upon the following charges:

1. That local rates are unreasonably high, compared with through rates.

2. That both local and through rates are unreasonably high at non-competing points, either from the absence of competition or in consequence of pooling agreements that restrict its operation.

3. That rates are established without apparent regard to the actual cost of the service performed, and are based largely on "what the traffic will bear."

4. That unjustifiable discriminations are constantly made between individuals in the rates charged for like services under similar circumstances.

5. That improper discriminations are made between articles of freight and branches of business of a like character, and between different quantities of the same class of freight.

6. That unreasonable discriminations are made between localities similarly situated.

7. That the effect of the prevailing policy of railroad management is, by an elaborate system of secret special rates, rebates, drawbacks and concessions, to foster monopoly, to enrich favored shippers,

[1] See Note VI, page 64.

and to prevent free competition in many lines of trade in which the item of transportation is an important factor.

8. That such favoritism and secrecy introduce an element of uncertainty into legitimate business that greatly retards the development of our industries and commerce.

9. That the secret cutting of rates and the sudden fluctuations that constantly take place are demoralizing to all business except that of a purely speculative character, and frequently occasion great injustice and heavy losses.

10. That, in the absence of national and uniform legislation, the railroads are able by various devices to avoid their responsibility as carriers, especially on shipments over more than one road, or from one state to another, and that shippers find great difficulty in recovering damages for the loss of property or for injury thereto.

11. That railroads refuse to be bound by their own contracts, and arbitrarily collect large sums in the shape of overcharges in addition to the rates agreed upon at the time of shipment.

12. That railroads often refuse to recognize or be responsible for the acts of dishonest agents acting under their authority.

13. That the common law fails to afford a remedy for such grievances, and that in cases of dispute the shipper is compelled to submit to the decision of the railroad manager or pool commissioner, or run the risk of incurring further losses by greater discriminations.

14. That the differences in the classifications in use in various parts of the country, and sometimes for shipments over the same roads in different directions, are a fruitful source of misunderstandings, and are often made a means of extortion.

15. That a privileged class is created by the granting of passes, and that the cost of the passenger service is largely increased by the extent of this abuse.

16. That the capitalization and bonded indebtedness of the roads largely exceed the actual cost of their construction or their present value, and that unreasonable rates are charged in the effort to pay dividends on watered stock and interest on bonds improperly issued.

17. That railroad corporations have improperly engaged in lines of business entirely distinct from that of transportation, and that undue advantages have been afforded to business enterprises in which railroad officials were interested.

18. That the management of the railroad business is extravagant and wasteful, and that a needless tax is imposed upon the shipping and travelling public by the unnecessary expenditure of large sums in the maintenance of a costly force of agents engaged in a reckless strife for competitive business.

Many of these charges, even where they relate to serious evils and are undoubtedly true, involve, of course, no moral turpitude on the part of railroad authorities, as many people seem to think. Railroad officials are much like other men, and act very much as other men would act under like circumstances. When we allow, for example, a set of men to construct a road for the mere purpose of bleeding another, we may expect the management of the latter to take such measures for its own preservation as it may be able, no matter what may be their effect on the interest of the railroad on the one hand, or of the public on the other. Where we subject a management to great risks, and offer large prizes for success, we may expect to find all the ordinary phenomena attending other forms of gambling to show themselves. Where we allow companies to be so organized that the managers may make enormous fortunes by selling out the interests of their own stockholders, and then offer them every facility for so doing, such as allowing them to keep secret their own transactions and that of the company, and permitting them the widest discretion in their dealings with individuals and communities, we should not be surprised when enormous fortunes are realized, though the dividends on stock cease, and the interest on bonds is stopped.

When, in short, we offer every inducement in the world for men to do things which they are naturally inclined to do, it should cause no wonder that they accept the inducement. The evils of our present railroad management are, in other words, to a large extent, the result of carelessness, shortsightedness and selfishness of the American people, and particularly of its representatives, and they will not disap-

pear until the opposite of these qualities are exercised by our legislators.

Some of the evils are, perhaps, inherent in the nature of the case. They can not be eradicated altogether, except by eradicating the railway itself. It is not a case of choice between evils and no evils, but between these special evils and some others. Even this, however, is worth our attention, since there may be a great difference between one evil and another, and it may result even more to our advantage to choose the less of two great evils than to abolish some other and smaller evil altogether.

The discussion which occurred on the passage of the Cullom bill is noteworthy in several respects. It is significant that there was no consensus of opinion whatever as to what the various provisions of the bill meant, or what they were intended to mean. This fact serves to illustrate how futile it is for the courts in deciding the meaning of a law to attempt to go back of the wording and try to ascertain the reasons which controlled the legislature in passing the law. It is, moreover, interesting to note the overwhelming vote in favor of the bill, having passed the Senate by a vote of forty-three to fifteen, and the House by a vote of one hundred and ninety-one to thirty-two. The anxiety of certain congressmen to be on both sides of the question is well illustrated by a suggestion made by a distinguished member of the House from Pennsylvania, just before the final vote was put. Said he: "The speaker evidently sees the embarrassment of many members who purpose to vote for this bill, but who do not approve of its measures (of which he was one). Is there not some practical way by which those gentlemen can free

themselves from that embarrassment?" It was just this class of gentlemen who for ten years had prevented any legislation whatever, by doing everything they could to delay action, and who did the very best they could on this occasion to do the same thing.

The attention which public men give to the study of great questions is well illustrated by the remarks of a distinguished member from New England who opposed considering the subject quite so soon as those who were urging it insisted upon. He plead for at least two weeks delay, "since," to use his own words, "it is a bill containing a new scheme in part which demands not only profound study on the part of the legislators who are to vote upon it, but also demands that the business interests of the country should have an opportunity to see it." And this, too, after the subject had been before Congress for fifteen years and in the shape of a bill for nearly ten years. This distinguished gentleman had been in public life the whole of that time, and nearly as long again. And yet he needed only two weeks to give it the profound study which it demanded.

In the very last week of its passage the plea was made that opportunity should be allowed for its discussion and investigation, on the ground that time enough had not been allowed, though scarcely a week had passed in the twenty years preceding during which it had not been urged upon the attention of Congress by a memorial or speech or report, or something of the sort. I suppose if the question had been discussed for twenty years longer the same argument would have been heard.

It is interesting to note that the argument against the power of Congress to pass and enforce such a

law on constitutional grounds was scarcely heard during this last discussion. Senator Stanford, of California, Mr. Evarts, of New York, and Mr. Morgan, of Alabama, were almost the only ones who took bold ground against the power of Congress to take any measures of the sort.[1]

The bill is not by any means an ideal one. It would not be possible to pass an ideal bill on such a subject through Congress, if by an ideal bill is meant a perfectly wise one; for to do that we have not the necessary information, and never can obtain it except under the experience obtained by the action of some such a bill as this; or if we mean by ideal what seems to any one man or group of men to be ideal, it would be equally impossible to obtain such a bill, since any such measure where so many conflicting interests are at work can not be passed except as a compromise measure. The bill has moreover really settled nothing, except that the federal government has finally taken the first step in the direction of solving our transportation problems, in that it has begun the work of experimentation in this field. It is impossible to tell exactly what is going to be the outcome of any proposed legislation or proposed policy, owing to the vast and complex relations involved; but it is also impossible ever to find out what can or can not be done except by an attempt to do something or other. In many cases the most important thing is to go ahead, whether you know you are right or not; simply because by not going ahead you are sure to be lost. This is one of them. Those whose interests or views of government functions lead them to believe that only harm can come

[1] See Note VII, p. 66.

from attempts to do this sort of thing, are bound, of course, to oppose them. Those who believe that something must be done, but who do not yet see their way clear as to what should be done, should be willing to join with those who have settled views and give them a fair chance to prove that they are right or wrong, and not stand back and incur the sure evils which are now upon us and increasing, for fear that some unknown and undefined evil may overtake them sometime in the future as a result of such measures.

I am among those who hail this bill with great satisfaction as the absolutely essential step to something better, and I believe that the next Congress will be ready to make some changes as a result of our short experience under it. Above all, I feel that we should congratulate ourselves on the fact that the subject of railroad transportation is now in a fair way to receive that close and long-continued attention which its importance deserves, and that rom this time on we shall see an increasing number of practical railroad men, and of theoretical students, devoting their attention to this problem. It is rather a remarkable fact that in spite of the very great importance and significance of the railway, it is only within the last five years, with a single exception, that we have possessed in English any work on the social and economic aspects of the railway problem. Railroad men are right in saying that there is, at present, no such thing as a science of transportation, which is anything else but an answer to the question, "How can I, as a railway manager, get the most out of my railway under existing conditions of competition, regardless of the rights of any one else?"

The questions of technical interest to railway men will now gradually assume a more prominent place in the public mind than they have ever had before. The question of railway tariffs, for example, is not yet fairly before the public, but this interstate bill will bring it before us in a very direct and forcible way. When the problem is once fairly stated, we may be sure that a long stride has been taken towards its solution. Our railroad questions have so far been considered as almost exclusively private questions—of interest only to the shipper on the one hand, and the railway manager on the other. It will now be possible and necessary more and more to consider the question, from the public point of view, as to its effects upon the distribution of wealth and population in the country at large, and it is only from this point of view that we can ever hope to arrive at any fundamental principles upon which there will be any general consensus of opinion.

We shall be, I believe, in a much more favorable position to solve some of the most vexatious questions of the problem than any other government which is now busying itself with it. We are coming more and more to regard the railroads of the country as one system. I believe that one effect of the present bill, if it is allowed to exist long enough, will be to bring more and more of the roads of the country under one management; in a word, to hasten combination, and with increasing combination will come increased ease of control. With a longer experience will come a clearer insight into the underlying principles of the business and a more reasonable policy in every respect.

And if the future should show that this particular

bill was not a wise one, that it did not cure evils, or even that it created new ones, we can, I am sure, console ourselves with the idea that through this was the only way to attain to a juster view, just as a man who has arrived at a sure resting place after struggling through a swamp, and sees that after all there was a better way, may console himself with the thought, that the most important question, after all, was not which way was the best, since it was impossible to decide that from his former position, but that he should quickly adopt some way and follow it up to a point where a favorable view would enable him to look back over the whole ground, and also to look forward to the road which stretches out before him, and by the aid of the experience behind him, find a new and better way for his future course.

NOTES.

I.

The enormous rate at which railroad traffic has increased may be seen from the following table, taken from Nimmo's Report on Internal Commerce of the United States, for 1884:

Total number of tons (of 2,000 pounds) transported upon the New York state canals, the New York Central and Hudson River Railroad, the New York, Lake Erie and Western Railroad, and the Pennsylvania Railroad, each year from 1868 to 1883, inclusive.

YEAR.	New York State canals.*	New York Central and Hudson River Railroad.*	New York, Lake Erie and Western Railroad.*	Pennsylvania Railroad Division.†
	TONS.	TONS.	TONS.	TONS.
1868	6,442,225	1,846,599	3,908,243	4,722 015
1869	5,859,080	2,281,885	4,312,209	5,402,991
1870	6,173,769	4,122,000	4,852,505	5,804,051
1871	6,467,888	4,532,056	4,844,208	7,100,294
1872	6,673,370	4,393,965	5,564,274	8,459,535
1873	6,364,782	5,522,724	6,312,702	9,211,231
1874	5,804,588	6,114,678	6,364 276	8,626,946
1875	4,859,858	6,001,954	6,239,946	9,115,368
1876	4,172,129	6,803,680	5,972,818	9,922,911
1877	4,955,963	6,351,356	6,182,451	9,738,295
1878	5,171,320	7,695,413	6,150,568	10,946,752
1879	5,362,372	9,015,753	8,212,641	13,684,041
1880	6,457,656	10,533,038	8,715,892	15,364,788
1881	5,179,192	11,591,379	11,086,823	18,229,365
1882	5,467,423	11,330,393	11,895,238	20,360,399
1883	5,664,056	10,892,440	13,610,623	21,674,160

*From annual report of Auditor of Canal Department, State of New York.
†From annual reports of Pennsylvania Railroad Company.

From this table it appears that the tonnage transported on the New York Central and Hudson River Railroad increased from 1,846,599 tons in 1868 to 10,892,440 tons in 1883; that the tonnage transported on the New York, Lake Erie and Western Railroad increased from 3,908,243 tons in 1868 to 13 610,623 tons in 1883; and that the tonnage trans-

ported on the Pennsylvania Railroad increased from 4,722,015 tons in 1868 to 21,674,160 tons in 1883. The total tonnage transported by rail on these three roads increased from 10,476,857 tons in 1868 to 46,177,223 tons in 1883.

The growing importance of the railway as compared with the canal under our present system is very evident from the above table. Much of this traffic was "through traffic," *i. e.*, traffic which went from the West to the East, while a much larger proportion of it was interstate traffic, *i. e.*, traffic which crossed at least one state line. It appears, from the reports of New York state officials, that the traffic on the Erie canal increased from 4,729,654 tons in 1865 to 5,009,488 in 1884; while the traffic on the railroads competing with it ran in the same time from 3,609,640 to 22,123,895 tons.

II.

Chicago, Burlington and Quincy R. R. vs. Iowa.—*Otto VI, p.* 155 *U. S. R.* 94.

As to the constitutionality of the law of Iowa, establishing reasonable maximum rates of charges for the transportation of freight and passengers on the different roads of the state.

"The objection," says the court, Waite, C. J., "that the statute complained of is void, because it amounts to a regulation of commerce among the states, has been sufficiently considered in the case of *Munn vs. Illinois.* This road, like the warehouse in that case, is situated within the limits of a single state. Its business is carried on there, and its regulation is a matter of domestic concern. *It is employed in state as well as interstate commerce, and until Congress acts the state must be permitted to adopt such rules and regulations as may be necessary for the promotion of the general welfare of the people within its own jurisdiction, even though in so doing those without may be indirectly affected.*"

The portion of the decision in Munn vs. Illinois, to which the court referred in the above quotation, is as follows:

The warehouses of these plaintiffs in error are situated, and their business carried on exclusively, within the limits of the state of Illinois. They are used as instruments by those engaged in state as well as interstate commerce, but they are no more necessarily a part of commerce itself than the dray or cart by which but for them grain would be transferred from one station to another. Incidentally they may become connected with interstate commerce, but not necessarily so. *Their regulation is a thing of domestic concern, and certainly until Congress acts in reference to their interstate relations, the state may exercise all the powers of government over them, even though in so doing it may indirectly operate upon commerce outside its immediate jurisdiction.* We do not say that a case may not arise in which it will be found that a state under the form of regulating its own affairs has encroached upon the exclusive domain of Congress in respect to interstate commerce, but we do say that upon the facts as they are represented to us in his record, that has not been done."

Still more advanced ground was taken in the case of Peik vs. Chicago and Northwestern Railway Company, at the same term of court. In this it was held that the Legislature of Wisconsin had power to prescribe a maximum of charges to be made by said company *for transporting persons or property within the state, or taken up outside the state and brought within it, or taken up inside and carried without.*

"The law," said the court, "is confined to state commerce or such interstate commerce as directly affects the people of Wisconsin. Until Congress act in reference to the relations of this company to interstate commerce, it is certainly within the power of Wisconsin to regulate its fares, etc., so far as they are of domestic concern. With the people of Wisconsin this company has domestic relations. Incidentally these may reach beyond the state. *But certainly until Congress undertakes to legislate for those who are without the state, Wisconsin may provide for those within, even though it may indirectly affect those without.*"

This decision marked the further limit of liberality in construing state power in matters pertaining to

railroad regulation. The economic conditions referred to above prevented the state from exercising this power to any great extent, and it was not long before an entirely different decision changed the whole face of affairs, as will be seen from the following quotations from a speech by Mr. Beck, of Kentucky in the Senate, January 11, 1887:

"The Supreme Court has conclusively settled the question that Congress, and Congress alone, can protect the people against extortions of that character, and that the states are powerless.

"It has done so in the most emphatic manner within the last four months in a case about which there was no dispute as to the facts, and no difference of opinion as to the wrong inflicted, or as to the propriety of punishing the railroad company as a wrongdoer. I refer to the case of the Wabash, Saint Louis and Pacific Railway Company vs. The State of Illinois, decided by the Supreme Court at the October term, 1886, in which Mr. Justice Miller delivered the opinion of the court, and Mr. Justice Bradley the dissenting opinion. The record presents the whole question so fully and fairly that I need only quote briefly the facts and conclusions of law as shown by it. It shows that—

"The Wabash, Saint Louis and Pacific Railway Company, an Illinois corporation, plaintiff in error, was sued by the State of Illinois to recover a penalty for the breach of its laws, passed to prevent extortion and unjust discrimination in the rates charged for the transportation of passengers and freight on railroads in the state.

"The law sued on was originally passed in 1871, and revised in 1873.

"The declaration alleged, in substance, that the company charged certain parties fifteen cents per one hundred pounds for carrying a load of freight from Peoria, in the State of Illinois, New to York, one hundred and nine miles of the distance being in Illinois, whilst at the same time it charged certain other parties twenty-five cents per one hundred pounds for carrying a like load of the same class of freight from Gilman, also in the State of Illinois, to New York, twenty-three miles of the distance being in Illinois, both places being on the line of the road. This allegation was substantially admitted, and judgment was finally rendered in favor of the state, and was sustained by the supreme court of the state, to which the present writ of error was directed.

"The main point insisted on by the railway company in its defense was, that the law on which the action was founded is unconstitutional, in its application to their case, as being a regulation of interstate commerce.

"Among other things the railroad company asked for the following instruction:

"The court further holds as a matter of law that the transportation in question falls within the proper description of "commerce among the states," and as such can only be regulated by the Congress of the United States under the terms of the third clause of section 8 of article 1 of the Constitution of the United States.

"All of these propositions were denied by the court, and judgment rendered against the defendant, which judgment was affirmed by the Supreme Court on appeal.

"Mr. Justice Miller, speaking for the Supreme Court of the United States, after a full citation of authorities closes thus:

" 'Of the justice or propriety of the principle which lies at the foundation of the Illinois statute, it is not the province of this court to speak. As restricted to a transportation which begins and ends within the limits of the state, it may be very just and equitable, and it certainly is the province of the State Legislature to determine that question. But when it is attempted to apply to transportation through an entire series of states a principle of this kind, and each one of the states shall attempt to establish its own rates of transportation, its own methods to prevent discrimination in rates, or to permit it, the deleterious influence upon the freedom of commerce among the states and upon the transit of goods through those states, can not be overestimated. That this species of regulation is one which must be, if established at all, of a general and national character, and can not be safely and wisely remitted to local rules and local regulations, we think is clear from what has already been said. And if it be a regulation of commerce, as we think we have demonstrated it is, and as the Illinois court concedes it to be, it must be of that national character, and the regulation can only appropriately exist by general rules and principles, which demand that it should be done by the Congress of the United States under the commerce clause of the Constitution. The judgment of the Supreme Court of Illinois is therefore reversed, and the case remanded to that court for further proceedings in conformity with this opinion.'

"The state courts are rapidly conforming their action to this decision, and are surrendering all the jurisdiction they had attempted to assume in this class of cases, so that Congress must act, or by its

refusal declare that the railroads are beyond the reach of law. I find the following among the late dispatches:

"A QUESTION OF INTERSTATE COMMERCE DECIDED BY THE BOSTON COURTS.

"*Boston*, January 8.

"The full court has given an important decision in the case of the Commonwealth vs. Housatonic Railroad Company, which involves a question of interstate commerce. On July 25, 1885, the Massachusetts railroad commissioners, acting under the statute of 1885, chapter 338, passed an order fixing the maximum rate which the Housatonic road might charge for transporting certain kinds of freight between points in Massachusetts and Connecticut. The plaintiff alleged that the defendant company had unlawfully violated this order by charging a higher rate than the commissioners allow.

"The defendant contended that section 2 of the statute named under which the order was made is invalid, because in conflict with the constitution of the United States, Article I, which gives Congress the exclusive right to regulate interstate commerce. The court sustains the defendant, citing the recent decision of the United States Supreme Court in the Wabash, Saint Louis and Pacific Railroad Company vs. The People of Illinois, in which a statute against unjust discrimination was involved. The decision is written by Chief Justice Morton, and of course invalidates the order of the railroad commissioner.

"It will be observed that in the Wabash case there was no dispute as to the act of the railway company being wrongful, as an unjust discrimination in favor of one citizen against another; it was conceded that the offending corporation ought to be punished. The court, after full hearing, decided that the duty of protecting the people against that and other wrongs of like character devolved upon Congress, because it was beyond the jurisdiction or control of any state. So that, if we fail to provide means of redress, the people of all the states are without remedy against the discriminations, extortions, and combinations of the railroad companies engaged in the interstate or foreign carrying trade. The laws of Illinois could and would have punished the Wabash Company for its unjust discrimination in this case, but the state courts were powerless, because Congress alone has the constitutional authority to do so."

III.

It is quite a common answer to the objection that capital is wasted under our present system of rail-

road management, that if private individuals choose to invest their capital in wild-cat undertakings, it is nobody's business. This, of course, ignores entirely the important and ever growing interest which society, as a whole, has at stake in the methods of investing capital which may prevail at any given time. If a hundred million of dollars be spent in constructing a useless railroad, it means not only that private individuals have squandered that amount of money, but also, that an equivalent amount has been withdrawn from productive investments, from fields where its use would have returned a large increase to the total wealth of society. It means a permanent reduction by that amount of the possible wages fund of the country, and consequent idleness on the part of laborers who might otherwise have been employed in productive operations. We recognize the right of society to determine the direction of capital investment when we restrict the opportunities for drinking spirituous liquors or purchasing lottery tickets or opening bucket shops, etc. It is probable that capital enough has been wasted in what may be fairly enough called gambling operations, in connection with our American railways, to construct half the total railways in the country.

IV.

It is a very common statement that our railroad system is far ahead of any other one in the world. Senator Hoar said in a speech delivered January 15, 1887: "We have got at this moment the best and cheapest railroad service on the face of the earth, with all its inconveniences, with all its imperfec-

tions. * * * * * But we have got, as the statistics show, at this moment, the best, cheapest, most reliable, 'most convenient railroad service on the face of the globe." It is safe to say that statistics show nothing of the kind, since no statistics have ever been collected which would prove either this statement or its opposite. In certain respects we are undoubtedly ahead, as, indeed, to judge from our advantages, we should be in all. As to cheapness, the case is by no means clearly made out. But suppose, for sake of argument, we grant it; yet, when we consider the comparative cost of construction of our American railroads—not exceeding one-half and usually not one-third that of foreign roads, it would be a sorry case indeed if our rates were not lower than they are in Europe. It is pretty plain that they are not so low as they should be. In many instances, the public authorities granted money and land enough to construct and stock the road. Such roads should be carrying freight and passengers for the mere cost of moving them. Mr. Poor said in 1885 that the actual cost in money of all the roads in the United States did not exceed $3,787,000,000, and that the fictitious capitalization was $3,708,000,000. The net earnings for the year 1883 were $336,911,884, being about nine per cent. of their cost. Mr. Adams, before the committee on the Pacific Railroads, said that the investments the Union Pacific Road had made in its branches had yielded between ten and eleven per cent. annually. A reduction in the rates from the West to Boston within twenty years from 3.7 cents per ton per mile to .83 of one cent per ton per mile seems to be an enormous reduction. But when we

take into consideration the great reduction in operating expenses brought about by the new inventions, the great decrease in cost per ton per mile effected by growth of traffic, and the subsidies granted to the railroads in many different forms, our wonder is not that long distance rates have fallen so much, but that local rates have been kept so high.

We need, above all things, some carefully collated statistics covering the whole field of railroad management, which should show us exactly the cost of constructing the roads, the subsidies granted, the fall in cost of service, etc., in order to ascertain exactly what we ought to have expected from the railroads. Such comparisons as Mr. Atkinson's, in which he makes out that the railroads have saved us $800,000,000 in one year, are, of course, absolutely good for nothing, so far as this point is concerned. By the same method of reasoning he could make out that the railroads save us every year a sum more than equal to our whole national wealth, as compared with the time when men and women transported all the wealth of society on their backs! It is like reasoning as to what our wealth will be in 2000 A. D., by reckoning out what a penny at compound interest would have amounted to if it had been invested at the birth of Christ, and then multiplying that by the number of pence now in existence.

In some points we are certainly inferior to foreign railway systems. We have no passenger train between New York and Boston, for example, which can, by any stretch of language, be called a fast train. The famous Chicago Limited sinks to the level of a slow train after it gets beyond Pittsburgh, and most of the express trains between New York and

Philadelphia—by all odds for the distance the fastest service in the United States—are by no means "lightning flyers," while the so-called "lightning express" on the Western roads are very fast indeed, if they average thirty miles an hour.

The following facts in regard to the Illinois Central Railroad are very *apropos* in this connection. See *Congressional Globe*—

"ILLINOIS CENTRAL RAILWAY.

"The Illinois Central Railroad has been peculiarly successful as an investment to its owners. There have been several 'distributions of stock' pro rata among the stockholders, and, in addition to the land grant, amounting to 2,595,000 acres, the company had realized on the 1st of January, 1873, in sales and advance interest, the munificent sum of $24,824,333.33, or for the whole length of the road (705 miles) an average of $35,211 per mile. In October, 1858, and January, 1862, dividends were paid in scrip, since converted into stock, to the amount of $1,772,270. And in August, 1865, there was a 'distribution of stock' to the amount of ten per centum, amounting to $2,119,631. And in August, 1868, there was an eight per cent. distribution, amounting to $1,881,100. To recapitulate, the stock, waterings and land subsidy were as follows:

Total waterings (as above)	$5,773,301 00
Sales of land, including advance interest	24,825,333 33
Total waterings and subsidy	30,597,634 33
Total waterings and subsidy, per mile	43,400 89

"The total cost of construction, as reported by the company, January 1, 1873, amounted to $34,061,196,56, being an average cost per mile of $48,331.75. If we deduct from this latter sum the amount of stock waterings and subsidies per mile, it will leave but $4,930.86 as the actual sum per mile that the owners of the Illinois Central Railroad have expended over and above their receipts in the building and equipment of their road! These estimates do not include the value of the unsold lands of the company. On the 1st of January, 1873, there remained of the land grant, not sold, 344,368 acres, worth perhaps $15 per acre, or the sum of $5,165,520. This amount should be added to the sum already realized for the sales of land, including advanced interest. The total watered stock and land grant would then aggregate the enormous sum of $35,763,154.33! This sum exceeds the whole cost of construction, as reported by

the company, by the sum of $1,701,957.77. Virtually, then, the state of Illinois and the General Government have given the Illinois Central Railroad Company a line of road 705 miles in length and a bonus of nearly $2,000,000."

V.

Those persons in this country who have discussed the place of canals in the transportation system, have fixed their eyes chiefly on their function as controllers of railroad rates, *i. e.*, as permanent regulators of railroad competition. This is, of course, an important function, and it is natural that it should seem the most important one in this country, where the railroads have made it a permanent object to get control of the canals, and then fill them up or let them go to ruin.

But it is by no means the only, nor in a properly organized system of transportation the most important, function. This is now clearly perceived by German and French engineers and economists. The German government, though it is undoubtedly rapidly approaching a time when it will practically control the whole railway system of the Empire, is giving much attention to this question of canals. The Prussian government, which now dominates the entire railway policy of Prussia, is doing the same thing.

Just exactly where the line will be drawn, between canal and railway, it is, of course, difficult to say, but it is clearly the view of eminent authorities that there is a certain combination of the two in which the canal can transport one portion of the traffic and the railroad the other, at a much lower rate than the railroad can do the whole of it, and this is the combination which they are seeking.

This is a system of combination, not competition, and will probably be the ultimate form of organization.

No large country in the world could be so easily supplied with an extensive network of water ways as the portion of the United States which lies to the east of the Mississippi, and it is hardly probable that the system of internal improvements began over fifty years ago will be allowed permanently to remain in its present state.

The importance which many of our most prominent thinkers assign to the canal as a regulator of railway charges appears from the testimony collected on this point by the Cullom committee.

Mr. Albert Fink, a most capable authority, testified that under ordinary circumstances, the Lakes, the Erie Canal and the Mississippi River, are the great regulators of railroad transportation charges.

Mr. Simon Sterne held that the rate of charges on the Erie Canal largely determines the railway rate all the year round throughout the United States. The rate from New York to Chicago is substantially the pattern rate for charges throughout the country, and that rate is largely fixed by competition with the canal.

Mr. F. B. Thurber testified to the same effect, and quoted from the Hepbern Committee Report the following passage:

"The cost of water transportation from Chicago to New York determines the rate of rail transportation, and the rate of rail transportation from Chicago to New York is the base line upon which railroad rates are determined and fixed throughout the country. The rates, by agreement of the principal railroads of the country, from all points in the West to the seaboard, are made a certain percentage of the Chigago rate. Thus Cincinnati is 87 per cent. of the

Chicago rate; St. Louis 116 per cent.; Kansas City 146 per cent.; Lousville 96 per cent.," etc., etc.

Canals, in his opinion, should be modernized. For twenty-five or thirty years they have remained just as they were. While enormous improvements have been made in our railroad transportation in the last twenty years, little or no improvement has been made in our system of water ways. This is doubtless largely to be attributed to the adverse influence of railroad corporations in legislation. In Pennsylvania and other states they have bought up the canals and abolished them.

William Brass, of Chicago, in a memorial prepared in 1885, stated that the all water transit between Chicago and New York, instead of being seventeen and twenty and even twenty-five cents, as a few years ago, now rules at about six cents; sometimes a fraction above, and occasionally a small fraction below that figure. In summer the all rail freights per bushel are generally a fraction above those of water, depending upon competition and the demand for export; but in winter the rates average from twelve to twenty-one cents per bushel. No comment is needed. Coal was carried at an average charge for the season of 1884, from Erie and Buffalo to Chicago, about one hundred miles, for sixty-four cents per ton; thence to the Mississippi river, two hundred miles, the charge was two dollars; for the next one hundred miles it mounts up to four dollars per ton from Chicago, and in Western Iowa it runs up to a much higher figure. The freight on a bushel of wheat from Northern Iowa to Chicago, being some four hundred miles, ranged for the season from 10.8 cents to 16.8, the higher

rate being more than the rate charged for transporting it from Chicago to Liverpool, more than four thousand miles.

The same thing was noticed in connection with the Illinois railroads, in competition with the Illinois river canal. They charged less than one-half the ordinary rates, at all competing points. The following table, taken from Illinois Report for 1884, gives average freight charges per bushel for transportation of wheat from Chicago to New York, since the year 1868, and canal tolls:

CALENDAR YEAR.	By lake and canal.*	By lake and rail.	By all rail.	Canal Tolls.
	Cents.	Cents.	Cents.	Cents.
1868.....	24.54	29.0	42.6	6.21
1869.....	23.12	25.0	35.1	6.21
1870.....	17.10	22.0	33.3	3.10
1871.....	20.24	25.0	31.0	3.10
1872.....	24.50	28.0	33.5	3.10
1873.....	19.19	26.9	33.2	3.10
1874.....	14.10	16.9	28.7	3.10
1875.....	11.43	14.6	24.1	2.07
1876.....	9.58	11.8	16.5	2.07
1877.....	11.24	15.8	20.3	1.03
1878.....	9.15	11.4	17.7	1.03
1879.....	11.60	13.3	17.3	1.03
1880.....	12.27	15.7	19.7	1.03
1881.....	8.19	10.4	14.4	1.03
1882.....	7.89	10.9	14.6	1.03
1883.....	8.40	11.5	16.5	....
1884.....	6.60	9.75	13.0	....

* Including Buffalo transfer charges.

VI.

The chief features of this bill are as follows:

All railways engaged in interstate traffic are subject to its provisions. Personal discriminations are absolutely forbidden. A must not be charged more or less than B for exactly similar services. No unreasonable preference or advantage shall be given

to any person, corporation, locality or kind of traffic. No railroad shall charge any greater compensation in the aggregate for transportation over a shorter distance than over a longer, the shorter being in the same direction, and included within the longer. Pooling of freight and passenger traffic or earnings is absolutely forbidden. Publicity of rates, fares and charges for transportation is prescribed, each company being required to post such rates and fares in every depot and station along its lines. No increase in such rates and fares shall be allowed without ten days' notice. All companies are bound to afford reasonable, proper and equal facilities for the interchange of traffic between their respective lines.

A commission is provided for, whose business it is to investigate all complaints, watch over the enforcement of the law, obtain and report to Congress full returns as to the business of the railroads, etc. It has power to suspend the "long and short haul" clause given above, and has full authority to call for books, accounts, contracts and other matters necessary to enable it to judge as to whether the railroad is complying with the law or not. Violations of the law is a public matter, which the public officials must prosecute on account of the government.

A mere glance is sufficient to show that a very decided step has been taken in the direction of railroad regulation. It will now be possible to get at many facts of the railway traffic which hitherto have been practically a sealed book. Those abuses which depend on secrecy for their existence will ultimately be greatly diminished, and to a large extent will disappear. It will then be possible to

fix public attention upon the evils, and many of them may, and doubtless will be, remedied.

VII.

Mr. Morgan joined issue boldly on the very questions of dispute, also as will be seen from the following extract from a speech in the Senate, January 15, 1887:

"You go further; you overstep the bounds of the regulation of State commerce, and you take hold of the power to contract, and you say to men, 'You shall not contract thus and so,' though the common law of England and the United States says that you may, and that the contract is just and right. You trespass beyond the boundaries and invade the states, and say to the citizens of the states, 'You shall not contract in your own states and in your own corporations for the transportation of your freight beyond your state; we limit you in your power to contract by forbidding the railroad companies to contract with you, except upon certain terms that we prescribe.' And while you, in your anxiety to meet what is supposed to be a very popular demand, thus trangress the boundaries of your own jurisdiction, you invade some of the most sacred liberties that belong to men under the Constitution of the United States.

"I have a perfect right, if I have got 100,000 tons of iron to ship from Birmingham, Alabama, to Cincinnati, or to Chicago, to say to a particular railroad company, 'I will give you all my patronage if you give me a rate upon this below the common rate of transportation,' and that railroad company has a right to give me that contract, because I am a large contributor to its prosperity. Another comes along with ten tons of iron and offers to this railroad company that it shall carry his ten tons at the same rate as the other man's. The company says, 'I can not afford to do it.' 'Why can you not afford to do it?' 'Because I am carrying this iron for a man who furnishes me 100,000 tons;' precisely the same principle that would obtain in any mercantile house in New York.

"A merchant goes there and says, 'I want $100,000 worth of your goods, and I have got the money to pay for them; I want to agree with you about the terms of our contract.' 'All right; I will deduct a little in your favor.' Another man comes and wants to buy fifty dollars worth of goods. The seller says he cannot afford to sell at the same rate; it may be a package of goods; he can not afford to do it. Now, will the law of Congress step in there and interfere?

No. Why? Because it is a transaction between individuals in a state. Why not interfere? What pretext have you for interfering in a contract between the iron shippers in Birmingham, Ala., and a railroad company? What right have you got to do it? No, sir; this bill goes very far beyond the powers of Congress as contended for by the gentlemen who advocate it, and it is a serious question as to the private right of a man to make a contract according to the advantages of his situation; and every man has a right to make his contract according to the advantages of his situation."

Senator Stanford differed still more radically from the prevailing sentiment, in regard to the nature of the railways, as appears in the following passage from a speech in the Senate, January 11, 1887:

"Railroad companies are organized under the general laws of the different states. They have no exclusive privileges. They are associations aided by these general laws—laws of which every citizen, or any number of citizens, may avail themselves equally with those forming the railroad company. In the mere fact of association they may exist entirely without the aid of the state. The association is as natural as it is for one man to call in his neighbors to help him raise his barn, or to roll a saw-log, or to do any business not inconsistent with the rights of others. The state gives, by virtue of the incorporation laws, nothing to the corporation. Whatever of capital or labor that is contributed to them is entirely private.

"The ownership of the labor and capital provided is private; as much so as the banker's ownership of his money, the farmer's ownership of his farm, the teamster's ownership of his team, and so on.

"It is private labor that builds the railroad from the first shovelful of dirt that is thrown until the last spike is driven and the road is ready for business; and then, when it is ready to operate, it is all the product of individual or private property.

"But some will say the right of way was given. In regard to that I think there is much misapprehension. Those who desire to build a railroad, of course, must in some manner obtain the right of way on which to build it. They appeal to the state on the ground that the proposed investment is of a highly beneficial character to the public, and they ask the state to exercise its right of eminent domain in order that the road may be built. The state only can exercise the right of eminent domain for the benefit of the public, and then upon just compensation to be made to the owner for what-

ever is taken. The state could not take private property for the benefit of A, B, C, D, E, F, and others.

"Now, up to this time everything in the railroad has come from private sources, and the labor belongs to the individuals as much as the labor of the man who tills a farm.

"Control is the essence of ownership. The value of the property is its income-producing quality. This bill strikes at the control, and directly affects the income-producing capacity of the properties. Now, if the investment is legitimate, if its nature is so highly beneficial that the state can do, to aid its construction, what it could not do for the establishment of a factory or any other legitimate business, wherein is the reason for the interference with the values and the control of this property? No monopoly is given to it; it interferes with no rights previously existing, and is never used except when it offers advantages to the shipper or traveler superior to those existing before. If it is a monopoly it is only a beneficent one, cheapening and facilitating travel and commerce."

THE EARLY HISTORY

OF THE

ENGLISH WOOLLEN INDUSTRY.

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. No. 4. | SIX NUMBERS A YEAR. PRICE $4.00 A YEAR.

THE EARLY HISTORY

OF THE

English Woollen Industry.

BY

W. J. ASHLEY, M. A.,

FELLOW OF LINCOLN COLLEGE,

Lecturer in Lincoln and Corpus Christi Colleges,

OXFORD.

AMERICAN ECONOMIC ASSOCIATION.

SEPTEMBER, 1887.

COPYRIGHT, 1887, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1887.

TABLE OF CONTENTS.

PAGE.

I. THE ESTABLISHMENT OF THE GUILD SYSTEM..... 13
1. Early Establishment of Guilds of Weavers..... 15
2. Relation of the Guilds to the Governing Bodies.... 18
3. Merchant Guilds..... 19
4. Antagonisms Between Burghers and Artisan Guilds. 20
5. Guild of Burellers..... 26
6. Regulations for Guilds of Woollen Manufacture.... 28
7. Ordinances Imposed by the Central Authority..... 31
8. Foreign Trade in Wool..... 34

II. THE FIRST IMMIGRATION..... 40
1. Encouragement of Immigration by the Government 41
2. Account of Foreign Settlers..... 42
3. Exports and Imports of Wool and Cloth..... 45
4. Monopolizing Spirit of the Weavers..... 45
5. Relation of the Foreign Workmen and the Guilds.. 47
6. Relative Decline of the Weavers' Guild..... 52
7. Manufacture of Worsteds..... 54
8. Results of the Increase of Cloth-Manufacture in England..... 56

III. THE RISE OF A TRADING CLASS..... 58
1. The Rise of the Cloth Trade..... 59
2. The Company of Drapers..... 62
3. The Society of Merchant Adventurers..... 67

IV. THE GROWTH OF THE DOMESTIC SYSTEM..... 71
1. Four Stages in the Development of Industry..... 72
2. Loss of Control by the Guilds..... 75
3. Effect of the Growth of Woollen Manufacture on Agriculture..... 79
4. The Clothiers..... 81

PREFACE.

The following essay has grown out of a paper read before the Oxford Economic Society in the January of this year. It deals with a strictly limited subject: it does not, save incidentally, touch the history of the raw material, its production, quality and price; nor that of the finished article after it has passed into the hands of the dealers. It is with the intermediate stages that we are here concerned—the position, organization, relations among themselves, of those actually engaged in the manufacture.

I cannot but be sensible of the honor which the American Economic Association have done me by permitting me to join in their work. American economic writing is attracting increasing attention from the younger generation of Englishmen; they look to America to contribute in the future far more largely to the solution of social problems than is possible for the mother country. For the United States have obvious advantages, both in the material they offer and in their means for dealing with that material. In the first place, that country exhibits the forces of competition and capital working on a larger scale than elsewhere, and in a freer field, uncrossed by any of the influences of decaying feudalism. Hence the importance to Europe as well as to America of the questions which are forcing themselves to the front in the United States—such questions as those of Rings and Monopolies, of Railway

Management, of Labor Societies, of Large and Small Farming. Karl Marx, twenty years ago, described England as the classic land of capitalist production; that is a title that no longer belongs to her.

In the second place, while in England political economy has altogether lost the ear of the public, and its official teachers may be counted on the fingers of one hand, in the United States it is a subject of increasing interest to the educated world, and the professors of the many colleges and the officers of the statistical bureaus form a considerable body of competent investigators. The zeal of American students has sent them to the German universities, whence they have brought back a new enthusiasm and a new method. Yet from the dangers of servile imitation they are freed by their position. Not even the absurd exaggerations of German writers themselves can obscure the fact that it is from Germany that the impulse has come in our own time to a new and more fruitful development in Economics. But certainly no observer of German thought can fail to see that, though most vigorous within its range, its range is exceedingly narrow. German writers seldom realize the atmosphere of individual initiative in which English and American thought moves; and while they are acquainted with the latest doctoral dissertation, they are often totally ignorant of all English economical work since Mill's *Principles*. But American teachers will be compelled, by the traditions of their country, the needs of their pupils, and the criticisms of their opponents, to give due weight to the forces of competition and to the arguments of the more recent English economists. Thus a body of men are beginning to appear

as familiar with Cairnes and Bagehot as with Knies and Schmoller, with Bismarck's legislation as with Trades-Unionism and Coöperation.

The "new school" in America has had the best of all testimony to its stimulating qualities in the grave rebukes with which it has been met. This is not the place to speak of the criticisms which have been directed against the claim of "the new Political Economy" to an *ethical* character, or against its insistence on the functions of the *state*. So far as the *historical* method, however, is concerned, it must be said that there seems some danger lest the real character of the divergence of opinion should escape attention in unnecessary contentions about preliminaries. The question at issue between the deductive and historical economists is not that of the truth or falsehood of the main Ricardian doctrines. There is a difference of emphasis, a difference of tone, but not a difference in ultimate belief concerning them. From the side of the abstract economists it is now freely granted that these doctrines are only hypothetically true, that they are true only so far as certain conditions are granted. From the other side, however much disposition there may be to deny that the conditions are ever completely realized, it is confessed that so far as they are realized the doctrines based upon them are true. To continue fighting upon this ground is only to slay the slain. Where the real divergence begins is upon the question what use is to be made of these doctrines, which after all every economist accepts and accepts in the same sense. The "orthodox" say: "True, they do not exactly correspond with real life, but they express tendencies far greater than any other. The proper course

to pursue is to work them out to their farthest consequences; and then, by introducing additional considerations, we shall see how these modify our conclusions, until finally we shall get results which will tally with facts." The historical economist, on the other hand, argues that the actual state of affairs in every particular industry, trade, country, and how it came to be so, is best discovered by historical and statistical inquiry—an inquiry in which the old doctrines will furnish a useful standard of comparison, and in some cases suggest influences that have been at work, but in which they will after all play a quite subordinate part.

What is most wanted at this moment is that each side should frankly and ungrudgingly recognize the right of the other to try the opposite method. No doubt, in the heat of revolt, rebels have spoken violently, and have denounced the deductive method and all its works. This is hardly to be wondered at when it is remembered that the political economy most influential in England and America during this century has been that taught by McCulloch and Senior. But the orthodox economist of to-day no longer thinks that he is in possession of a body of truths applicable to all times and places; and he is even too anxious to point out that he does not claim to give practical advice. The historian, therefore, will do well to acknowledge that deduction is a defensible method, and to leave the believer in abstract economics to justify his argumentation by its results.

But it is time that it should be recognized from the other side that, for good or evil, there is an increasing body of economic investigators who are likely to

remain unmoved by all the arguments which, from the time of *some unsettled questions*, have been used to prove that deduction is the only scientific method. They believe that by historical and statistical inquiry it is possible for them to arrive at a knowledge of the economic life of the past and present which will be of service to society. They are not content with the concession that the historical material they gather may be of use for the "illustration and verification of economic truth;" they believe it has an independent value of its own. If they are wise they will neither patronize nor be patronized, but will ask for a fair field.

There is one question, indeed, that is often put, and deserves an answer: Can historical and statistical inquiry discover economic *truth*, economic *laws?* This is another illustration of the hold that the Ricardian political economy has taken on men's minds. For by "truth" is here meant, unconsciously perhaps, a number of neat abstract propositions, professing to explain large bodies of phenomena, such as "Rent is the excess of the return of a piece of land above that on the worst land in cultivation." Truth of this sort the historical method is not likely to discover; the history of agriculture will help us to understand present agricultural difficulties, but it will scarcely produce a formula professing to be a "law of rent." But if by "truth" is meant such generalizations about the condition of things now and the direction in which they are going, as are of practical value to the politician or philanthropist, then historical inquiry has discovered truth, and will discover yet more.

LINCOLN COLLEGE, OXFORD,
August 8, 1887.

THE EARLY HISTORY

OF THE

ENGLISH WOOLLEN INDUSTRY.

I.

THE ESTABLISHMENT OF THE GUILD SYSTEM.

The history of English wool and cloth has a two-fold interest: it explains the origin of the wealth of England, and it illustrates, with peculiar clearness, the development of industry. In the latter middle ages wool was the one important article of export from England, an article of which that country practically enjoyed the monopoly, so that its control formed a most powerful weapon of diplomacy, and its taxation was an easy resource for our kings. But England was not content, thus, to furnish Europe with the raw material; its government made continuous and strenuous efforts to gain for it the manufacture also, and its measures succeeded. Cloth became "the basis of our wealth;" [1] and at the end of the seventeenth century, woollen goods were "two-thirds of England's exports." [2]

Still more interesting is the woollen industry from the point of view of the economist. Food and clothes are the two primary necessaries of human life, and play a correspondingly important part in social history. It is significant that the bakers and

[1] Bishop Berkeley, in 1737, quoted in Toynbee, *Industrial Revolution*, 46.

[2] Davenant, *Of Gain in Trade*, (1699), 47.

weavers stand side by side in the earliest notices of craft guilds in England.[1] No one who is acquainted with mediæval legislation needs be reminded of the care with which the public authorities supervised the sale of corn and bread. But bread could only be made in comparatively small quantities; it could not be made for a distant or for a far-future market. This, of course, was equally true of all articles of food, before the creation of modern means of rapid transit; and since the "division of labor is limited by the extent of the market,"[2] it was not in food that any considerable manufacturing development could take place. With clothing material it was far different. A necessary, but a necessary which would "keep," it was the very first article for the manufacture of which a special body of craftsmen came into existence. And from the first, a strong tendency towards further specialization showed itself among those employed in the industry. Wherever the conditions were favorable, especially in the supply of the raw material, the manufacture soon came to supply a more than merely local demand; and this not only encouraged that division of processes which had been early seen to be advantageous, but tended also to create a class of dealers as distinguished from the actual makers.

To these causes it was due that the woollen manufacture was the first to take the form of the guild, and the first to break through its limits; that it became the most widely spread of the "domestic" industries, and therefore that in which the factory

[1] Madox, *History of the Exchequer*, 231.

[2] Cf. J. S. Mill., *Pol. Econ.* B. 1, Ch. viii, § 6.

system gained its most hardly-won and signal victory.

We are unable to trace the existence in England of a separate craft of weavers, further back than the early part of the twelfth century.[1] Before this time, all the cloth that a family required was made by the members of the family, doubtless in the winter evenings, when there was a forced cessation of agricultural labor. In France and Germany it is on the estates of the monasteries and great nobles that we find the earliest examples of groups of men whose main occupation was weaving;[2] and it is not impossible that the same was the case in England; but of this we have no evidence.

In the middle of the twelfth century, however, guilds of weavers are found established in several of the larger English towns. The one Exchequer account, or Pipe Roll, earlier than the reign of Henry II., which has been preserved, and which is now generally assigned to the thirty-first year of Henry I., records payments to the King by Robert son of Leofstan on behalf of the guild of weavers of London, by the sheriff of Lincolnshire on behalf of the guild of weavers of Lincoln, and by the weavers of Oxford on behalf of their own guild.[3] The Pipe Rolls of the early years of Henry II. shew that guilds of weavers existed also in Winchester, Huntingdon and Notting-

---

[1]None of the later crafts, except *sutores* and *pistores*, are mentioned in Alfric's *Colloquy*, of the later part of tenth century. (Wright's *AS. Vocab.* ed. Wülcker, p. 90); nor are weavers mentioned in *Domesday Book*, (v. Abstract of Population, in Ellis' *Introd.* ii. 511.

[2]Schmoller, *Strassburger Tucher—u. Weberzunft*, 361, 380. Fagniez. *Etudes sur l'industrie à Paris au xiiie et au xive siècle*, 3.

[3]*Rotulum Magnum Pipæ*, (Record Comm. Ed. 1833) 144, 109, 2.

ham, and a guild of fullers at Winchester;[1] and from a writ of Henry III. we learn that there was a guild of weavers at York also, in the reign of Henry II.[2] The payments to the Exchequer were annual; and, for all we know, the guilds may have been in existence and these payments may have been made for some years before 1130. That the weavers were deemed to be among "the dangerous classes" is shewn, not only by the attacks of the town magnates which will be referred to later, but also by the curious fact that scarcely are they mentioned in our documents before they give occasion to a council at Oxford to condemn a heresy of which they especially were guilty.[3]

Brentano's exaggerations as to the freedom of action of the craft-guilds have disposed some later writers to go to the opposite extreme, and to represent the guilds as mere instruments, and almost as creations, of the public authorities.[4] It is indeed true that the guilds needed royal authorization. The annual payment was not merely a tax; it was the condition of their existence; and guilds which did not gain the king's sanction were amerced as "adulterine." This was the case in London in 1180 with the guilds of goldsmiths, pepperers, butchers and

[1] *The Great Rolls of the Pipe*, 2–4 H. ii. (ed. 1844) 39, 90, 153. For later years, v. Indices of ed. of each *Pipe Rolls* from five to ten H.ii. by Pipe Roll Society.

[2] *Close Rolls* (ed. 1833), i. 421.

[3] "Henricus rex tenuit concilium apud Oxoniam, in quo damnata est hæresis *texentium*," Annals of Tewkesbury and Annals of Worcester. *Annales Monastici*, (Rolls' Series) i. 49; iv. 381.

[4] Brentano, Essay on *History of Guilds*, §4, (prefixed to *English Guilds*, Early Eng. Text Soc.), criticised in Ochenkowski, *England's Wirthschaftliche Entwickelung im ausgange des Mittelalters*, 55, 74-9.

some others.[1] It is true, moreover, that in the fourteenth century it became the policy of the government to extend the guild organization over the whole country, and to bring all craftsmen together in organized bodies. Yet it is clear that guilds came into existence at first quite voluntarily, and that this banding together of the craftsmen was regarded as somewhat revolutionary. In the fourteenth century, again, we certainly meet with elaborate regulations as to the action of the guild authorities, drawn up by parliament or municipalities. But in the earliest charters, such as those granted to the weavers of London and York by Henry II., the only definite provision was that which obliged all the men of the craft, in each particular district, to belong to the guild.[2] The importance of this obligation to join the guild—this *Zunft-zwang* as the Germans call it—cannot be overestimated; it turned what before had been private associations into organs of the state, and rendered possible the control of the *whole* industry by the government and the guild officers.[3] But all other rights of the guild, whatever they may have been—and their extent was warmly

[1] Madox. *Exchequer*, 390.

[2] "Sciatis me concessisse Telariis Londoniarum Gildam suam, in Londoniis habendam, cum omnibus libertatibus quas habuerunt tempore Regis Henrici, avi mei; et ita quod nullus *nisi per illos* se intromittat infra civitatem de eo ministerio, et *nisi sit de eorum Gilda*, neque in Sudwerke, neque in aliis locis Londoniis pertinentibus." *Liber Custumarum*, 33, (vol. ii, of *Munimenta Gildhallæ*, Rolls' Series). In the case of York, no one was to make cloth *in the county* save with the consent of the weavers of that city. See writ of H. iii. ordering the sheriff to enforce this rule, in *Close Rolls* i. 421.

[3] Cf. Schmoller, *Strass. Tu. W. Zunft.* 384-7. "Von der Absicht, ein wichtiges gewerbliches Vorrecht zu schaffen, war in der Hauptsache, jedenfalls bei den Webern, nicht die Rede." 385.

disputed in the thirteenth and fourteenth centuries, —had grown up by custom, and were confirmed, without being specified, by the very recognition of the guild, just as those of *municipal* self-government were assented to by the recognition of a commune. The two phrases, "grant a gild" and "grant a commune,"[1] are exactly parallel, and point to the voluntary and spontaneous character of the association in each case.

The relations of the guilds to the governing bodies in the towns are extremely obscure, and have never yet been adequately investigated. This much at any rate is certain, that at first and for a long period the craftsmen were not citizens or burgesses; that the freemen of each town formed a comparatively small body, who watched the craft-guilds with exceeding jealousy, and excluded their members from all share in municipal government. How these two opposing bodies came into existence it is difficult to say. Maurer, in dealing with similar facts abroad, explains the burgher oligarchy as the descendants of the members of the old mark community.[2] The hereditary possession of land, it is readily seen, would give an economic superiority to the old families when a class of landless freemen began to grow up in the town. This writer has doubtless exaggerated the part which the mark played in social development; yet the importance in England of burgage tenure, and the fact that the freedom of a town is often described as attached to such a tenure, do

[1] Eg. *London*, "concesserunt civibus communam suam;" *Niort*, "concessimus quod burgenses faciant communam." Stubbs, *Select Charters*, 252, 313.

[2] *Geschichte der Städteverfassung* passim. See especially ii. 195.

seem to show that it was the possession of land which gave the old families their superiority. There is a significant entry in one of the Exchequer rolls of John recording the payment of a mark by David, the dyer, of Carlisle, in order that the messuage which he has in Carlisle may be a burgage, and that he may enjoy the same privileges as the burghers.[1]

In municipal histories some space has often been given to the guild merchant, the *gilda mercatoria.* But this has hitherto been regarded as exceptional; it has only recently been shown that every town, with the doubtful exception of London, had a merchant guild.[2] Now the merchant guild certainly included the more important burghers, even if membership of the guild and burghership were not in all cases synonymous. It was in the reigns of Henry I. and Henry II. that the merchant guilds gained the sanction of the government; and so important did they become that the latter municipal organization can be best explained as due to the coalescence of the merchant guild and the local law court, the court leet. But the very *raison d'être* of the merchant guild was to secure for its members a monopoly of the trade of the district.[3] We have here, then, another cause of antagonism between the burgher aristocracy and the craftsmen. Interwoven with the efforts of the narrow body of burghers to keep in their own hands the government of the town, are the efforts of

[1] "David Tinctor reddit compotum de i marca, Per sic quad Masagium sum quod habet in Kaerleolo sit Burgagium, et quod ipse habeat easdem Libertates quas alii Burgenses de Kaerleolo." Maddox. *Exchequer*, 278.

[2] Especially by Gross. (*Gilda Mercatoria*) Göttingen, 1883.

[3] Cf. Stubbs. *Const. Hist.* i, § 131. (Lib. ed. p. 474.)

the traders to control the weavers in the exercise of their craft, and to secure for themselves the monopoly of the *sale* of the cloth.

A great authority has warned us not to be too hasty in supposing that the relations of classes in the English towns were similar to those on the continent.[1] But abroad, the antagonism between the old trading families and the artisan guilds is the capital fact in mediæval municipal history; and it will therefore be necessary to enter with some detail into the evidence which seems to prove that somewhat the same state of things was to be found in England. Of much the most importance are certain entries in the London *Book of Customs*[2]—"the Law of the Weavers and Fullers of Winchester, of the same at Marlborough, of the same at Oxford, and of the same at Beverley." They are not dated, and their position between entries relating to the twenty-sixth and twenty-fifth years of Edward I. may be no more than accidental. Their presence is easily explained: in one of its many contests with the weavers and fullers the London municipal government must have thought it would strengthen its case if it were able to refer to the way in which the craftsmen were treated elsewhere, and must have applied to the magistrates of these four towns for copies of their rules. These rules represent the artisans as in so depressed a condition that they must be assigned to the early part of the thirteenth century; and it is to be noted that we have not to deal here with royal charters, but with records of what the burgher aristocracy thought their rights.

[1] Stubbs, *Const. Hist.* i, 474–5; iii, 635. (Lib. ed.)

[2] 60, 130–1. Riley, *Introd.* lxi.

The first thing that strikes us in these "laws" is the sharpness of the distinction which is drawn between the craftsman and the freeman, "franke homme," of the town. No freeman could be accused by a weaver or fuller; nor could an artisan even give evidence against one.[1] If a craftsman becomes so rich that he wants to become a freeman, he must foreswear his craft, get rid of all his tools from his house, and then, when he has satisfied the magistrates, he may enter into the freedom, "la fraunchise."[2] No weaver or fuller might go outside the town to sell his own cloth, and so interfere with the monopoly of the burghers;[3] nor was he allowed to sell it to any stranger or to any one except a merchant of the town.[4] In some places, doubtless, the weavers received yarn from merchant-employers and returned it to them made up into cloth; so in the case of Marlborough, it is laid down that no one shall weave or work save for the good men (prudeshommes) *i. e.* "burgesses of the town." In others, as at Oxford, the weaver worked up yarn of his own; but even in this case he must have the consent of the good men before he can carry on his craft. At

[1] "Ne nul franke homme ne puet estre atteint par telier ne par fulour; ne il ne poent tesmoign porter," in almost identical words in each case.

[2] Winchester, Marlborough and Beverly. This is precisely the same as in Bruges and Damme, and all the towns of Flanders and N. France, belonging to the House of London; cf. Ashley, *James and Philip van Artevelde*, 18.

[3] "Ceo est a savoir, qe nul telier ne nul fuloun ne puet drap secchir ne teindre, ne a nul marchaundise hors de la ville aller" at Winchester and Beverly.

[4] "Il ne poent a nul forein lour draps vendre, fors as marchauns de la cite." Winchester.

Marlborough, the "law" goes so far as to direct that the craftsmen shall not possess any property above the value of a penny, except what is necessary in his occupation, and five ells of cloth for his year's clothes. But this is probably rather the view of the burghers as to what should be the case than a rule actually enforced, and may be compared with the passage in which Glanvill declares that a villain is absolutely incapable of holding any property whatever.[1]

It might be argued that these entries represent throughout only the ideal of the burgher oligarchy, and never corresponded with actual facts. But these disabilities of the weavers can be illustrated by other evidence. As to the necessity of obtaining permission of the governing body of the town to exercise the craft, we find that as late as 1316 it was arranged at High Wycombe that "all weavers shall give *only* twelve-pence yearly to the Gildani—the two officers of the Gild merchant—for every loom, and shall henceforth be free in all things concerning the gild of merchants, *except Stallage.*"[2] But stallage was the right, or the payment for the right,[3] of having a stall in the market-place, so that it is clear that the merchant guild still tried to monopolize or control the *sale* of the cloth. This monopoly is further illustrated by an order of the guild merchant of Leicester in 1265 that "weavers should not be permitted to weave cloth for the men of other towns while they had sufficient

[1] *De Legibus Angliæ*, l. 5, c. 5 : quoted in Stubbs, *Select Charters*, 162.

[2] *Rep. Hist. MSS. Comm.* 1876, 556. See also Proofs and illustrations, p. 277, in the forthcoming work of Dr. Gross, *The Gild Merchant.*

[3] Ducange, "Stallaguim : Prætatio pro stallis."

work to do for the men of Leicester"—at the same time fixing the rate per ell at which they were to be paid.[1]

Documents considerably eariler exhibit a particular monopoly, of which I know no later mention—a monopoly namely in the sale of cloths dyed in any other way than simply with woad. This was carried so far that the merchants even prohibited the dyers from dyeing with anything else but woad. A case came before the Curia Regis in the eleventh year of John, in which the fullers and dyers of Lincoln complain that the Alderman and Reeves of Lincoln have seized cloth belonging to them on the ground that they had dyed and sold cloth.[2] They claim liberty to dye with what sort of dye they please, as free citizens of Lincoln having the same rights as citizens of London. The Alderman and Reeves acknowledge that they have taken the cloth, but this was because it had been dyed in disregard of the custom of the city, and of an express prohibition. The dyers have only the right of dyeing in woad, and the only cloth they may sell is such as is woad-dyed or else white. The fullers likewise, have no right to sell dyed cloth, "because they have no community (of rights) with the free citizens."[3] In the same reign, the Exchequer rolls record the payment of fines by "the men"—

[1] Thompson, *Hist. of Leicester.* 84.

[2] *Placitorum Abbreviatio* (ed. 1811) 65.

[3] "Aldermannus et prepositi venerunt et cognoscunt quod ceperunt pannos illorum, sicut illos qui tincti sunt contra legem et consuetudinem civitatis suæ, et prohibitionem eis factam. Quia, ut dicunt, non licet tinctoribus pannos suos proprios tingere nisi tantum in waido, vel illos vendere nisi waido tinetos vel albos....Fullonibus similiter non licet, quia *non habent legem vel communiam* cum liberis civibus."

the governing body—of Worcester, Bedford, Beverley and other towns in Yorkshire, Norwich, Huntingdon, and Northampton, the "burgesses" of Gloucester, the men of Nottingham, Newcastle-upon-Tyne, Lincoln, Stamford, Grimsby, Barton, Lafford, St. Albans, Berkhampstead and Chesterfield, in order that they might freely buy and sell dyed cloth.[1] This cloth was doubtless chiefly of Flemish manufacture, but it is clear that the ruling body intended to use their privileges against the craftsmen if they thought it desirable. It will be noticed that Lincoln is among the towns mentioned.

The lengths to which the antagonism between the burghers and the artisan guilds might go, was signally shewn in London. We do not know whether London ever possessed a guild merchant: at any rate in 1191, by the recognition of its commune, it obtained complete municipal self-government.[2] This involved the control of industry by the body of citizens, and jurisdiction over those engaged in it. In the exercise of these powers the new authorities came into collision with the privileges of the weavers' guild. Accordingly they offered to make an annual payment to the Exchequer, if the guild were abolished.[3] The offer was accepted, and a charter was

---

[1] Madox. *Exchequer*, 324. Macpherson, *Annals of Commerce*, i. 347, says: "There were also *dealers* in Bedford, etc." But the entry runs "homines de Bedford," which is not "men in Bedford," but "the men of Bedford," the burgesses, the ruling body, whatever it may have been. And in one case it is expressly "*burgenses* Gloecestriæ."

[2] Stubbs, Const. Hist. i. 704.

[3] *Mag. Rot.* 4 John. Madox, *Exchequer* 279. "Cives Londoniæ debent lx. marcas pro Gilda Telaria delenda, ita ut de cetero non suscitetur; et pro carta Regis inde habenda." I have not been able to find the charter, which, according to Herbert, *Livery Companies*,

issued in 1199 or 1200 abolishing the guild, and imposing on the citizens an annual payment of twenty marks in the place of the eighteen which the weavers had been accustomed to give. Three years later the citizens appear as owing sixty marks, possibly arrears; and either because of failure on the part of the civic authorities to pay the stipulated amount, or because John saw how unwise he had been, the weavers' guild was restored on the promise of the craftsmen to pay the twenty marks. Yet four years later the guild did not feel itself quite out of danger; and in 1223 the weavers deposited their charter in the exchequer lest the citizens should seize it.[1]

The reign of Edward I. was, we have been told, a period not so much of creation as of definition and adaptation.[2] This is as true in industry as in any of the other departments of national life. During the preceding century guilds of weavers and of other craftsmen had been fighting their way into recognition and importance. But the craft guilds were not merely "friendly societies;" they claimed to control all the processes of manufacture, and to exercise jurisdiction in all matters directly connected with the craft. Such a claim the ruling bodies in the various towns strenuously resisted; these were powers they were determined to keep in their own

i. 24, is cited at large in the Inspeximus of Charles II. But it appears in the list of charters in the *Liber Albus* (*Munimenta Gildhallae* vol. I.) 134: "Alia charta ejusdem Joannis, quod Guilda Telaria non sit de cetero in civitate Londonierum, nec ullatenus suscitetur," and the copy of H. ii.'s charter to the weavers in the *Liber Custumarum*, 39, has the joyful heading "quæ adnihilata est per chartam Regis Joannis."

[1] *Liber Custumarum*, Riley *Introd.* lxiii.

[2] Stubbs, *Const. Hist.* ii. 116.

hands. The central government, however, taught by what was going on abroad, must have seen that overpowerful municipal bodies were far more dangerous to the royal authority than craft guilds; thus in London the attempts of the mayor to elude the jurisdiction of the itinerant justices, caused the king to suspend the municipal constitution for ten years.[1] In the artisans, perhaps, might be found some counterpoise to the civic oligarchies. Hence the royal influence was probably on the side of the craftsmen, and this may explain the rapidity with which the guild system became the dominant fact in the industry of the time.[2] The result, indeed, was a sort of compromise; the municipal authorities never gave up the claim to control industry, and frequently imposed regulations upon particular trades; but the every-day regulation of processes, and the petty jurisdiction which it involved were surrendered to the guild officers. That this was so we see from what happened in London in 1300.[3] A body of men, called burellers, had grown up, of whom not much is known, but part of whose occupation was certainly that of preparing yarn for the weavers. They were, therefore, to some extent, dependent upon the weavers, and as they had a guild of their own, there were frequent collisions between the two bodies. In 1300, the bailiffs of the weavers were summoned before the mayor to answer the burellers' complaints. The proceedings resulted in the appointment of a

[1] Stubbs, *Const. Hist.* iii. 616.

[2] Ib. iii, 618. "Edward I. seems to have encouraged the development of the guild jurisprudence, and may have been induced to do so by his hostility to the magnates of the commune."

[3] *Liber Custumarum* 121-6.

sort of committee of seventeen persons, namely: four aldermen, six burellers and seven weavers, to revise certain of the regulations as to the weavers' guild. A number of ordinances were therefore drawn up, and apparently came into force—ordinances which recognized a very considerable power of self-government on the part of the craft. The general meeting, known as "the guild," was to be held annually; but besides that, weekly courts were to be held, wherein were to be tried all members of the craft on pleas touching their industry; and such pleas were in future to be withdrawn from the sheriff's court.[1] The mayor was given the right to preside over this weekly court if he chose, but it would obviously be difficult for him to be present at the courts of all the various guilds even if he did choose; in his absence, therefore, his place was to be taken by good men and sworn of the guild.[2] At the same time, the opportunity is taken to confirm the customs as to apprenticeship which had been growing up; one of the clauses lays down that no one is to work as weaver, who has not served as apprentice, and apprenticeship is to last seven years.[3]

In London at this date—and the same was probably true in other large towns—the woollen industry was divided into four or five branches, the weavers and burellers, each organized in a guild, the dyers and fullers united in the same guild, and the tailors

[1] 123, Art. vi.

[2] Art. iii. "Et si le meire ne ysoit, il deit assigner quatre prodeshommes du mester jurez . . a tenir la Court; les queux quatre soient chescum an remuables a la volunte du mester, et deyvent estre chescun an presentez au Meyre."

[3] 123. Art. xiv.

or *cissores*. But they were very conscious that they had interests in common, and they were accustomed to act together in matters affecting the whole industry. This is illustrated by two documents of 1298.[1] The first is a royal writ to the warden and sheriffs of London. It sets forth that the king has been informed by the complaint of two London citizens belonging to the guild of fullers and dyers, that whereas the old custom had been that cloth entrusted to men of that guild to be fulled, was fulled by the men of the craft or their servants by treading it with their feet in their own houses in the city, certain persons have received cloth and sent it out of the city to be fulled, for instance, to a fulling mill at Stratford; and the king orders that right should be done in the matter. The offenders were accordingly summoned, and confessed their fault. This being done, the warden and sheriffs thought it advisable to bring together a committee representing the various crafts interested, and to entrust them with the drawing up of fresh regulations. The body appointed was composed of two weavers, two burellers, two dyers and two tailors, which shows that a new body of craftsmen had come into existence, the tailors, who cut up the cloth for garments (whence their name), and doubtless bought it for this purpose from the weavers or dyers;[2] and shows also that the fullers and dyers

[1] Ib. 127-9.

[2] Mr. Loftie's theory that the weavers' guild split into sections, "of which the tailors retained the ancient name *telarie*," (*Hist. of London*, i. 169, n.; and *London* in *Historic Towns*' series, 49), is opposed both to etymology and historical evidence. "*Tailor*" is from F. tailler, to *cut;* and its common Latin form is *cissor;* thus in

were at this time still united, as they probably had been from the first. The second document seems to contain the regulations which this committee drew up. The first is to the effect that, "whereas cloth which private persons and strangers have given to fullers and to dyers and to weavers in London to full, has been sent outside the city by these fullers and dyers and weavers to be fulled at mills," these craftsmen are no longer to do so, and the use of mills in this way is only to be permitted to the owners of cloth, or to those who intend to keep it for their use. The guild officials are to prevent cloth going out at the city gates; offenders are to be heavily punished, and for the third offence to foresware the craft. Some miscellaneous regulations are added, of which the most important is that "no one of the craft (of fullers and dyers) shall receive the workman or apprentice of another without the consent of his master."[1] The sharp distinction between master, journeyman and apprentice is often described as an essential characteristic of the guild

Liber Albus, 727, the heading is *Articuli Cissorum*, while the text is "Oe *Taillours* preignent," etc.; while *telarius*, a weaver, is from *tela*, in the sense of a web, (or in late Latin, a piece of cloth), or in the sense of a loom. Speaking of the end of the reign of Edward III., Mr. Loftie says that "the weavers are not named at all." Webbers, however, do appear as 9th on the list of Mysteries, 50 Ed. III., (in Herbert, *Livery Companies*, i. 34), while Tailors are next but one above them. But it will be seen later that the weavers have a continuous history, which will be found down to 24 Hy. VII., in Madox *Forma Burgi*, 191-6. The same phrases are used throughout, thus, "*Telarie Londoniæ* reddunt compotum de *xx marcis pro Gilda sua*," 5 John; "*Telarii Londoniæ* debent *xx marcas* per annum *pro Gilda sua*," 24 Henry VII.

[1] *Lib. Cust.* 129. "Derichef qe nul du mester receyue autri louwer ou aprentiz en son mester, saunz la volunte de son mestre."

system; but certainly it was late in growing up, and the London fullers in this respect outstripped their fellows elsewhere.[1] Thus in the earliest regulations which have been preserved of the guild of the fullers of Lincoln, regulations dating from 1337, the rules are singularly liberal as to the admission of new members.[2] Fullers from other towns may have their names put on the roll on paying a penny to the wax (for candles on procession days); while, apparently, there is no such thing as apprenticeship, for it is only said that if anyone wishes to learn the craft, no one shall teach it to him until he has given two pence to the wax.[3] Yet even in London it seems clear, from the first article of the regulations just quoted, that the boundaries between the functions of the three crafts of fullers, dyers and weavers were not yet rigidly determined.

During the twelfth and thirteenth centuries there must have been a very rapid increase in the amount of cloth manufactured in England. This is shewn,

---

[1] Cf. the late development of such distinctions in Germany, Schmoller *Strassb. Tuch. u Weberzft.* 389.

[2] *English Guilds* Ed. Toulmin Smith, [E. E. T. S. 1870.] 179.

[3] One clause has perplexed the editor: "quod nullus ejusdem officii ad perticam cum muliere laboret, nisi cum uxore magistre vel ancilla sua commensali"—"no one of the craft shall work at fulling (*pertica* was the pole with which the cloth was beaten in the trough), with a woman, unless it be with the wife of the master, or her maid who sits at her table." He asks "why is he not to work in company with an ordinary woman?" Surely the intention was to prevent the general employment of female labor. The wife of his master or her maid may lend a helping hand in emergencies, but women are not to be regularly employed. The small extent to which women were employed in manufactures under the guild system is one of the characteristics distinguishing it from the *domestic* industry which followed.

among the evidence, by the increased importation of woad, which was necessary for the purpose of dyeing blue or blue-black. During the sixth and seventh years of John, the king's chamberlains of London are recorded to have received less than £100 "for license to bring woad into England and sell it," while in six months in the twelfth year the wardens of the ports accounted for almost £600, and this probably did not include all the ports, for some may have been specially dealt with. However we may interpret these figures, it is clear that the importation of woad was already very considerable.[1]

No mediæval government contented itself with leaving to local authorities and crafts the entire control of industry. It always attempted to impose certain general conditions upon the whole of a country; and this would be especially the case in a country like England, in which from the Norman conquest the central authority had been peculiarly strong, and in which the political wisdom of Henry II. had created an effective administrative system. In 1197 was issued the Assize of Measures, enacting that there should be a uniformity of weights and measures over the whole country. But, while for no other commodity is the exact size fixed, the

[1] Madox, *Exchequer* 531, 532, col. 1; 530, 531, col. 1. Macpherson, *Annals of Commerce* i. 359, 382, has made use of Madox's figures, and I have followed them in supposing "de Assisa Waisdiæ" and "de Consuetudine Waisdiæ" to mean the same thing. But he is mistaken in supposing the figures given for 12 John to apply to the whole of one year. The text is headed, "Compotus Custodum Portuum Maris a feste S. Michælis anne xii. usque ad mediam Quadragesimam anni sequentis hunc annum"—the half year from Michælmas 1310 to Midlent 1311, falling within John's 12th year. Dover is either exempted or specially dealt with, the assize of woad of Kent and Sussex being "præter doure."

special importance of cloth is shewn by the following enactment: "It is ordained that woollen cloths, wherever they are made, shall be made of the same width, to wit: of two ells within the lists, and of the same goodness in the middle and sides." In each county, city or borough, four or six legal men are to be appointed, who, with the help of the authorities of each locality, are to carry out this assize.[1] This was to come into effect "after the fair of Mid-Lent at Stamford," so that that fair was already of national importance. The supervision of the execution of this ordinance does not seem to have been at once entrusted to a special officer, like the aulnager, as has been supposed.[2] For we are told some years later, in 1201, how that the king's *justices* came to the fair of St. Botolph's, intending to seize all the cloth that did not satisfy the assize—whereupon the merchants remonstrated so warmly, and made so tempting an offer of money to the king that the assize was not enforced. Yet the ordinance was certainly not withdrawn or entirely disregarded, and as it was reënacted in Magna Carta it must by that time have come to be generally approved. In the roll of the fourth year of John is recorded a fine paid by men of Esseburn for *stretched* cloth, and in that of 13 Henry III., are mentioned the fines imposed on two merchants because their cloth was not of due width.[3] And, as we have already seen, it was at any rate thought advisable by the burghers of Gloster and the men of Nottingham to purchase

[1] Roger of Hoveden, (Roll's series) iv. 33.

[2] Macpherson, i. 462 n.

[3] Maddox, *Exchequer* 393, 394, col. 2.

special permission to sell cloth of any width or "stretchedness."[1]

As soon as on the accession of Edward I. a strong government had again been established, the assize was vigorously enforced, and it must soon have been found expedient to appoint an officer for that special purpose. Towards the end of the reign of Edward I. Perot le Tailleur who had "the aulnage of cloth in the fairs of our realm" was removed for some default in his accounts, and in 1298 the king committed to Peter of Edelmeton the custody of aulnage and of the assize of cloth, both English and foreign, sold throughout England.[2] This is the earliest documentary evidence of an office which existed, until the reign of William III., with an importance for a time increasing and afterwards steadily diminishing. The long history of the changes in the regulations as to width and length, complicated as it is by the appearance of new materials and qualities, connot be followed here. Yet a very significant change of policy in 1353 cannot be passed over. In a statute of that year it was enacted that, whereas foreign merchants are deterred from coming to England because they forfeit their cloth "if it be not of assize," henceforth cloth shall not be forfeited even if it be not of the due size. "The king's aulnager shall measure the cloth and mark the same, by which mark a man may know how much the cloth containeth; and of as much as the cloth shall be found less than the assize, allowance or abatement shall be made to the buyer." The aulnager's fee from the seller is fixed at a half-penny for a whole cloth, and

[1] 2. "Strictitudo," 16. 324.
[2] Ib. 538.

a farthing for a half cloth, and nothing for a cloth which is less. He is to meddle only with cloth that is to be sold, and any cloth put up to sale without being sealed shall be forfeited.[1] With the growth and complexity of the manufacture, the government gave up the attempt to regulate the size of cloths to be sold; but it would not give up the attempt to enforce honest dealing, and to enable the customer to easily ascertain for what he was paying. There is a clear distinction in principle between enacting that no goods shall be sold save of a certain size or quality, and giving a public guarantee of the size or quality of certain goods, leaving dealers to sell and customers to buy as they please. This latter is probably a task that government could in many cases undertake safely advantageously, and it will be remembered that as late as 1776 Adam Smith speaks with approbation of the stamp on cloth.[2]

It does not follow within the scope of this essay to treat of the extent and character of the export of wool from England. [The manufacture of cloth had grown up and become exceedingly prosperous in Flanders and the north of France more than a century before an independent body of weavers arose in England.] Arras and the towns in its neighborhood retained some traditions of the old skill of the Roman artisans, and northern France and Flanders

[1] 27 E. iii. st. 1 C. H. *Statutes of the Realm* I. 330.

[2] Arguing that long apprenticeships give us security against insufficient workmanship, he says: "Quite different regulations are necessary to prevent this abuse. The sterling mark upon plate, and the stamp upon linen and woollen cloth, give the purchaser much greater security than any Statutes of Apprenticeship. He generally looks at these," but doesn't ask about apprenticeship. *Wealth of Nations*, Bk. i. ch. 10, p. 2.

early became famous for cloth of fine quality and rich color.[1] In the eleventh and twelfth centuries the green and dark blue Flemish cloth took the place of linen as the dress of the upper classes in Germany.[2] Now it was from England alone that the raw material could be obtained in large quantities; and how great the trade must have been early in the twelfth century is shewn by a charming story which a contemporary tells us. In 1114 certain of the Canons of Laon set out for England, "which at that time flourished with great opulence of riches, owing to the peace and justice which its King Henry maintained within it," to raise subscriptions for the rebuilding of their church. They took ship at Wissant; "on the same ship came with us several merchants who wanted to go from Flanders to England to buy wool, and thought it would be safer to go with us, bringing with them more than three hundred marks of silver in bags and purses." In their passage they were attacked by pirates, "whereupon the aforesaid merchants in despair of their lives, offered their bags and purses with all their money to Our Lady, and cast them on her shrine, beseeching her pity with tears, promising that if only she saved their bodies from the hands of the pirates, she should keep all their money for the restoration of her church." Then a wind arose and scattered the enemy. When they got to shore, the monks were about, in charity, to give back some of the money to the merchants, "but they, as soon as they saw that they had escaped death, forgot their fear, and without our permission each one took his bag and purse, leaving nothing to Our Lady but idle

[1] Schmoller, *T. u. W. Z.* 366-7.
[2] Ib. 363.

words of thanks. But now let all who give their property to God and take it back again, listen to the revenge, which the just Judge her Son took for His Mother. They had journeyed over almost the whole of England, and had spent all their money in buying great quantities of wool, which they had stored in a great building on the coast at Dover; but behold on the night before the day on which they intended to cross, the building suddenly took fire and was burnt down with the whole of their wool. Then, when they had lost all their property and had become destitute, they too late repented of the insult they had offered to the Queen of Heaven."[1]

The trade between England and the low countries was in the hands of the bodies of merchants who governed the various towns, and these, in order to ensure their own monopoly and secure mutual protection, formed, certainly considerably before 1240,[2] the "Hanse of London." This association, which has been mistakenly confused with the Teutonic Hanse, was probably earlier in its origin, and lasted into the fifteenth century. It included seventeen towns, among them all those in Flanders of any importance, and for a time Chalons, Rheims, St. Quentin, Cambray, Amiens and Beauvais. Even Paris is said to have been a member.[3] Apparently its members had to fear lest overbold craftsmen should attempt to get rid of middlemen, and themselves buy

[1] Hermanni, *de Mirac. S. Mariæ Laudun*, lii, cc. 4, 5, in Migne, *Patrologia*, tom 156.

[2] When occurs the first mention of it in a charter of Bruges, Warnkœnig, *Histoire de Flandre* trans. Gheldolf, ii, 207.

[3] Fagniez, *L' industrie a Paris* 19-20, quoting a work of Bourquelot on the Fairs of Champagne, which I have not seen.

their materials or sell their fine cloth in England. If any such should be found, say their statutes, he is to forfeit all his wares, and the same penalty is to fall on a member of the hanse who does business on commission for a craftsman. Artisans—among whom are specially mentioned fullers, weavers, shearers, and "dyers who dye with their own hands and have blue nails"—can indeed enter the hanse, but on conditions which could very rarely be satisfied; for they must renounce their craft, and after a year and a day they must get the consent of their own town by paying to its magistrates such a sum as the latter may appoint.[1]

Cologne was later than the Flemish towns in obtaining manufacturing and commercial importance, but it was far in advance, especially in weaving, of the rest of Germany.[2] How early its merchants began to visit England for wool we cannot tell; but it appears from a letter of protection to the men of Cologne issued by Henry II., that they had a house in London as early as 1157.[3] Richard granted them permission to visit and trade over the whole of England, especially at the fairs, and freed them from the payment of two shillings which they were wont to give "for their Guildhall in London"—an exemp-

---

[1] Warnkœnig-Gheldolf, *Flandre* ii. 206-211, 506-512. Cf. Ashley, *James and Philip v. Artevelde*, 15-20.

[2] Schmoller, *T. u. W. Z.*, 366.

[3] Lappenberg, *Urkundliche Geschichte des Hansischen Stalhofes zu London, Urk.* 2. It has often been supposed that this "house," or a building on the same site, became the later steelyard. But in the latter part of the 13th c. the Guildhall of the Cologne merchants and that of the Teutonic merchants were still distinct establishments. Riley, Pref. to *Liber Albus*, xcvi.

tion which was again granted by Henry III. in 1235.[1] Out of this guild of merchants of Cologne arose the great Teutonic Hanse: first by the inclusion in the guild of all other German merchants who wished to trade in England, and afterwards by the rise of Lübeck. For Lübeck, after vainly trying to enter the Cologne confederation, formed a hanse of its own, to which that of Cologne soon became subordinate.[2]

Compared with Flanders and the great Rhenish cities, England was at this time a poor and backward country. She manufactured no cloth for export; a great part of her own demand for cloth—the whole of that for the finer qualities—was satisfied by the low countries. And even the export itself of English wool, which was so essential to the prosperity of the manufacturing centres abroad, was wholly in the hands of foreigners—the Hanse of London and the Teutonic Hanse.

We shall see later how the merchants of the Staple arose to question this monopoly in the export of wool. But what seems first to have occurred to the English government was the idea, that by prohibiting the export of wool altogether, they might gain for their own country the manufacture. During the thirteenth and fourteenth centuries the export of wool was frequently for a time forbidden. Usually, indeed, this measure had for its immediate object to force the rulers of Flanders to satisfy the political demands of the English government—notably in 1336—to compel Flanders to abandon the French alliance.[3] But

[1] Lappenberg, Urk. 5, 26. Cf. Madox, *Exchequer* 285.

[2] See the brief history of the Teutonic Hanse, in the article by Mr. Dodge in *Ency. Brit.*

[3] Ashley, *James and Php. v. Artevelde*, 78-80, 96-7.

there can be no doubt that the other consideration was also frequently present. And this is clearly the case with the earliest instance of prohibition—that by the Oxford parliament of 1258, when the barons "decreed that the wool of the country should be worked up in England, and should not be sold to foreigners, and that everyone should use woollen cloth made within the country," and lest people should be dissatisfied at having to put up with the rough cloth of England, bidding them "not to seek over-precious raiment."[1] Perhaps we may trace a similar idea in what is told us by a chronicler opposed to Simon de Montfort, how, that when the piracy of the sailors of the Cinque Ports had put an end to trade, and people began to complain, the Earl tried to persuade them that they could get on very well without traffic with foreigners, "whereupon very many seeking to please the Earl wore white cloth, disdaining to wear colored."[2]

In 1271 disputes between Henry III. and the ruler of Flanders led to a renewed prohibition of the export of wool, coupled with a prohibition of the importation of cloth;[3] and although the order as to cloth seems to have been withdrawn, that as to wool was renewed by Edward I. in 1274. But a few months later, peace was made with the count and the prohibition withdrawn.[4] [The attempt, if such it was, to prevent foreigners from using English wool, and to cause it to be all worked up in England, was prema-

[1] Walter of Hemingburgh, i. 306. Ed. Engl. Hist. Soc.

[2] Thomas Wykes, s. a. 1264 in *Annales Monastici* (Rolls. series), iv. 158.

[3] *Calendar. Rot. Patentium.* (Ed. 1802); 55 H. iii. i. M. 6, 10.

[4] Rymer, *Fœdera.* 510, 513.

ture. The wool could be kept in England, but the small body of English craftsmen could not meet a demand so great and sudden. The industrial organization of the time already supplied them with work sufficient to occupy their time, and there was no "reserve army" of half employed workmen. Moreover for the making of the fine sorts of cloth, or cloth of richer and more varied dyes, Englishmen did not yet possess the necessary skill. Edward III. saw, later, that if we were to do without Flemish cloth we must bring over Flemish workmen.

II.

THE FIRST IMMIGRATION.

With Edward III. begins the policy of encouraging the settlement within the kingdom of foreign cloth-makers, from whom English weavers and dyers could learn the arts in which they had previously been wanting. That this was the object which the government set before itself is shewn in the earliest piece of evidence we have that foreign weavers had come into the kingdom. This is a letter of protection issued in 1331 to John Kempe, of Flanders, weaver of woollen cloth. After reciting that Kempe had come with certain servants and apprentices to England for the sake of exercising his craft, and instructing and informing those who wished to learn it,[1] it announced that the king had taken Kempe and his workmen into his protection, and promised similar letters to all other men of that craft as well as to

[1] "Causa mesteri sui inhibi exercendi Et *illos qui inde addiscere voluerint instruendi et informandi*," Rymer, Fœdera, ii. 823.

dyers and fullers who were willing to come to England. A letter of the same kind as granted in 1336 to two weavers of Brabant who had settled at York, the king declaring that he "expected through their industry, if they carried on their occupation in England, that much advantage would result to himself and his subjects;"[1] and another in the next year to 15 makers of cloth, who with their laborers and servants were about to come to England.[2] But the government did not content itself with protecting occasional immigrants. A complete declaration of policy is presented by a statute of 1337.[3] It offers protection to all foreign cloth workers who shall come to England, promising moreover to grant them such franchises as may suffice them; it frees the new comers from all restrictions as to aulnage—"a man may make the cloths as long and as short as a man will;" it totally prohibits the importation of foreign cloth, and even the wearing of foreign cloth by any man or woman, great or small, the royal family only excepted; and it prohibits the exportation of wool until it shall be otherwise provided. The contemporary chronicler is of course right in the immediate object which he assigns to the prohibition of export, "that the king might the more quickly overcome the pride of the Flemings, who respected woolsacks much more than Englishmen."[4] And indeed Edward found the order a tolerably effective means of coercion: the misery which it caused in Flanders and above all in Ghent had the effect of alienating the

[1] Ib. ii. 954.
[2] Ib. ii. 969.
[3] *Statutes of the Realm* (ed. 1810), 280.
[4] Walsingham, *Historia Anglicana*, i. 221 (Rolls. S.)

people more than ever from their count and of bringing James van Artevelde to the government.[1] The English king was not able to obtain at once the open support of the Flemings, but even to gain their neutrality he readily permitted wool to be exported and cloth to be imported, and to win their favor was even willing to promise that goods marked with the seal of Ghent should be exempt from examination in the English markets.[2] Yet though the immediate political purpose had been predominant, it is clear from the very juxtaposition of clauses in the statute that it was also thought of as assisting the new woollen manufactures in England.[3]

The account given of the foreign settlers by Fuller, the church historian, writing in the seventeenth century, is among the quaintest passages in his delightful book.[4] Where he gets all his information from he does not say ; probably most of the details are suggested by his imagination. But it is worth while to see how the impulse given to the woollen manufacture in the reign of the third Edward was regarded by a wise and witty writer at a time when traditions as to the new-comers were still living :

" The King and State began now to grow sensible of the great gain the Netherlands got by our *English* wool, in memory whereof the *Duke of Burgundy* not long after instituted the order of the *Golden Fleece*, wherein indeed the *Fleece* was ours, the *Golden* theirs, so vast their emolument by the trade of clothing. Our king therefore resolved, if possible, to reduce the trade to his own country,

[1] Ashley, *James and Philip van Artevelde*, 84, 91.

[2] Ib. 106-7.

[3] Cf. Smith, *Memoirs of Wool* (1747) i. 25 n.

[4] *The Church History of Britain*, endeavored by Thomas Fuller. Ed. 1655, 110-42. His own Italics are retained.

who as yet were ignorant of that art, as knowing no more what to do with their wool than the sheep that wear it, as to any artificial and curious *drapery*, their best *cloths* then being no better than *friezes*, such their coarseness for want of skill in their making. But soon after followed a great alteration, and we shall enlarge ourselves in the manner thereof.

"The intercourse now being great betwixt the *English* and the *Netherlands* (increased of late since King Edward married the daughter of the Earl of *Hainault*), unsuspected *Emissaries* were employed by our king into those countries, who wrought themselves into familiarity with such *Dutch men* as were absolute *masters of their trade*, but not *masters of themselves*, as either *journeymen* or *apprentices*. These bemoaned the slavishness of these poor servants, whom their masters used rather like *Heathens* than *Christians*, yea rather like *horses* than *men*. Early up and late in bed, and all day hard work and harder fare (a few *herrings* and mouldy *cheese*), and all to enrich the *churls* their *masters* without any profit unto themselves.

But oh, how happy should they be if they would but come over into *England*, bringing their *mystery* with them, which would provide their welcome in all places. Here they should feed on *fat beef* and *mutton*, till nothing but their fulness should stint their stomachs, yea they should feed on the labor of their own hands, enjoying a proportionable profit of their pains to themselves.

"Liberty is a lesson quickly *conned by heart*, men having a principle within themselves *to prompt* them in case they forget it. Persuaded with the promises, many *Dutch servants* leave their masters and make over to *England*. Their departure thence (being picked here and there) made no sensible vacuity, but their meeting here altogether amounted to a considerable fulness. With themselves they brought over their *trade* and their *tools*, namely such as could not as yet be so conveniently made in England.

"Happy the *yeoman's* house into which one of these *Dutch men* did enter, bringing industry and wealth along with them. Such who came in strangers within their doors, soon after went out *bridegrooms*, and returned *sons-in-law*, having married the daughters of their landlords who first entertained them. Yea, these yeomen in whose houses they harboured, soon proceeded gentlemen, gaining great estates to themselves, *arms* and *worship* to their estates.

"The king having gotten this treasury of foreigners, thought not fit to continue them all in one place, lest on discontent they might embrace a general resolution to return, but bestowed them throughout all the parts of the land, that clothing thereby might be the better dispersed. * * * This new *generation* of *Dutch* was

now sprinkled everywhere, so that *England* (in relation I mean to her own counties) may bespeak these *inmates* in the language of the poet:

"'Quæ regio in terris vestri non plena laboris?'—

though generally (when left to their own choice) they preferred a *maratime habitation.*"

He then gives the following view of the distribution of the industry, doubtless as it was in his own time:

"East.	Norfolk—Norwich Fustians.	
	Suffolk—Sudbury Bayes.	
	Essex—Colchester Bayes and Serges.	
	Kent—Kentish Broad-cloths.	
West.	Devonshire Kirses.	
	Gloucestershire, Worcestershire,	Cloth.
	Wales—Welsh Friezes.	
North.	Westmoreland—Kendal Cloth.	
	Lancashire—Manchester Cotton.	
	Yorkshire—Halifax Cloths.	
South.	Somersetshire—Taunton Serges.	
	Hampshire, Berkshire, Sussex,	Cloth."

After referring to the "heightening of the manufacturer to a higher perfection" by the Dutch who came over under Elizabeth, he concludes:

"But enough of this subject, which let none condemn for a deviation from Church-history; first, because it would not grieve one to go a little out of the way, if the way be good, as this degression is for the credit and profit of our country; secondly, it reductively belongeth to the Church-history, seeing many poor people both young and old, formerly charging the parishes (as appeared by the accounts of the Church officers) were hereby enabled to maintain themselves."

An account first printed by Misselden in 1623, without any other explanation of its origin than that it was an exchequer record in an ancient manuscript of a merchant, professes to give the amount of ex-

ports and imports in 1354.[1] According to this, more than thirty thousand sacks of wool were exported in that year, but also 4774½ pieces of cloth valued at 40 shillings each, and 8061½ pieces of worsted stuff valued at 16 shillings and 8 pence each, while among the imports were 1831 pieces of fine cloth, each valued at 6 pounds. The account may be wholly fictitious, or may be assigned to the wrong year; but if it could be accepted as genuine, it would show that twenty years after the introduction of foreign craftsmen began, England exported large quantities of cloth, though some of it was probably in an unfinished state and was worked up abroad. The difference between the value, per piece, of cloth imported, and of that exported, is very striking.

We have seen that by 1300, the London weavers' guild had gained complete recognition of certain powers of supervision and jurisdiction over its members. But, once victorious, the process of deterioration had set in with them as with all similar organizations of the middle ages; liberties were turned into exclusive privileges and were made the means of establishing a monopoly.

In 1321 the weavers were indicted before the justices by the wards of Candlewick street (now Cannon street) and Walbrook, neighborhoods where the weavers chiefly congregated, and were summarily fined for two offences:— "because by confederacy and conspiracy, in the Church of S. Margaret Pattens, they ordained among themselves that for weaving each cloth they should take sixpence more than anciently they had been wont," and, "because they

[1] Misselden, *The Circle of Commerce*, 119, copied in Macpherson i., 553; Smith, *Memoirs of Wool*, 43.

seized the tools of men of their guild condemned for theft, against the royal prerogative." At the same time the weavers were summoned to answer by what warrant they had a guild and annually elected bailiffs and other officers. They produced their charters, which they urged were a sufficient authorization; to which the king's sergeant replied that many of the regulations they had recently made were to the injury of the public. Thereupon a jury was empanneled, which drew up a long declaration. It was true, they said, that the weavers had a guild resting on certain charters, and by virtue of these charters, they had the right to elect bailiffs annually, who were to be presented before the mayor and sworn to do their duty, and also the right to hold their court weekly, for pleas of debt, contract, agreement and petty offences; and for such matters weavers could claim to be tried by their own court. If any were behindhand with his contribution to the ferm of twenty marks paid by the guild to the king, the bailiffs could seize his loom; and when quarrels arose between burellers and weavers about yarn furnished by the former, they were wont to be decided by a mixed jury.

All these rights the jurors seem to have thought justifiable. But there were other regulations, made some thirty years before this time, which they declared were to the injury of our Lord the King and his people—such as the prohibition to work between Christmas and Candlemas, or by candle light; the rule that cloth of Candlewick street should not be made in less than four days, though it was possible to make it in two or three—regulations which prevented as much cloth being made as might be, and

hindered it from becoming as cheap as it would otherwise have been. But the weavers did even worse than this, "they admit no one into their guild without his making a heavy payment, maliciously planning that the fewer the workmen the dearer their labor may become. Whereas, up to thirty years ago there were about three hundred and eighty looms in the craft within the city, now there are only eighty, because the weavers have lessened the number for their own advantage."[1]

At this point the case was adjourned, and we are left in ignorance as to the result. However, enough is given to enable us to form a picture of the comfortable group of weavers in Cannon street, carefully restricting their numbers and trying to increase their profits. Much the same state of things doubtless existed in other large weaving centres; and these were the conditions which the artisans from the low countries came to disturb.

The settlement of foreign workmen in any large number seems to have commenced after the act of 1337.[2] They met with so hostile a reception from the London craftsmen, who did not refrain from violent assaults and threats of death, that seven years later the government found it necessary to send a special writ to the mayor and sheriffs. They were enjoined to cause it to be proclaimed that the king had taken the foreigners in London under his special protection, and they were to imprison in Newgate all whom they found disregarding the

[1] *Liber Custumarum* 416-425, and Riley's *Preface* lxvi. The pleadings are also given, with some imperfect lines, in *Placita de Quo Warranto* (ed. 1818) 465.

[2] To judge from the recital in the writ of 1344. *Fœdera* iii. 23.

proclamation. But if the foreigners were to stay in London, the weavers' guild would be sure to try to make them become members and pay their due contribution to the ferm. In 1351 "the poor weavers of London" represented to the king in Parliament that Henry II. had given them a charter conferring upon them a monopoly of their industry, in return for which they were bound to pay twenty marks yearly, but that now, taking advantage of the proclamation of 1337, foreigners had come into the city and were making gain, and were free from the burden of contributing to the ferm. They pray, therefore, either that they may have jurisdiction over the foreigners, or that they themselves may be freed from the ferm.[1] The matter was referred to the exchequer, where Nicolas of Worsted appeared on behalf of the London weavers and complained that Giles Spolmakere, with four other persons in London, and one in Southark, "foreigners who are not of the gild," have meddled with their industry and made all sorts of rayed and colored cloth, and yet will not be subject to the jurisdiction of the guild.[2] Proceedings, however, were stayed by a royal writ which Giles had just obtained and now produced. It set forth that the king had promised to protect the foreigners so long as they paid what they ought, and many of them had willingly paid their share of the twenty marks as assessed by the

[1] Les Tylers (telarii) priont que lour Chartre lour soit allowe, isse que les estraunges soient par eux justifiez en lour Gilde, ou autrement, gils puissent estre descharges de la dite ferme de vintz marez." Madox, *Firma Burgi*, 284, n. col. 2.

[2] "Faciunt omnimodos pannos radiatos, et coloratos, et alios pannos, ... et se justiciare nolunt per Telarios predictos." Ib. 285, col. 2.

guild itself; and yet the weavers of the guild kept on trying to force them to belong to their guild, and to come to its courts.[1] The king therefore ordered that Giles and the other foreign weavers should not be molested because they do not belong to the guild of weavers of London,[2] and that the trial should go no further.

Next year the government went farther, and in reply to a petition addressed to the sovereign in Parliament by the foreign weavers, "the king.....did, with the assent of the prelates, earls, barons and other great men assembled in this said parliament, grant for himself and his heirs to all and singular foreign clothworkers.....who then resided in his kingdom.....and would then after come and abide there and follow their craft.....that they might safely abide in the realm under the king's protection, and might freely follow their craft; without being compellable to be members of the gild of weavers of London, natives, or of other cloth workers of this realm, or to pay any sums of money by reason of such gild, as appeareth by the parliament rolls."[3]

[1] "Intelexerimus quod licet .... portiones ipsos de illis viginti marcis, quæ per Telarios ad opus nostrum annuation solvunter, juxta assessionem super ipsos operarios per dictos Telarios impositam contingentes, gratanter solvissent, ipsi tamen telarii ipsos operarios entranlos ad essendum de Gilda sud in civitate predicta, et ad veniendum ad curiam suam per varias districtiones compulerunt." Ib. 286, col. 2.

[2] "Vobis mandamus quod ipsos Egidium . . . vel alios hujusmodi operarios pro eo quod ipsi de gilda dictorum telariorum . . . non existant . . . non molestetis." b. 287, col. 1.

[3] Recital in the case of Cokerage, 10 H. IV. in Madox, *Firma Burgi* 199. I have not been able to find it on the Rolls of Parliament, but there can be no doubt that such an exemption was granted. In the *Calendar of Patent Rolls* is entered, under 26 Ed. III. (p. 161): "Am-

The grant of such a privilege did not make it easier for the magistrates to keep the peace, and the government was again and again obliged to issue orders that no one shall molest the Flemings,[1] or, since attack provoked reprisal, that Flemings, Brabançons and Zealanders shall not bear arms.[2]

How the immigration of foreign weavers affected the organization of industry in London, it seems impossible accurately to determine. It probably hastened that decay of the guild organization which had evidently set in by the middle of the following century. There are, however, three assertions which may with some confidence be made: First, that though exempted by Edward III. from the necessity of membership of the London weavers' guild, the foreign weavers did not remain without some sort of association among themselves; secondly, that the old weavers' guild was greatly weakened by the changes, whatever they were; but, thirdly, that it succeeded in regaining the control of all those exercising the weaving craft within London.

The first is proved by a petition presented to the mayor and aldermen in the year 1362 by the "Weavers' alien."[3] They ask that "three good folk of the weavers' alien may be ordained and sworn to keep

---

plæ libertates pro operariis pannoe' de partibus exteris infra regnum morantibus," and the weavers' petitions of 1406 and 1414 state that "le roy E le tierce, eucountre les ditz libertees et Frauchises, a l'instance et supplication des wevers aliens, estoit grauntez qu'ils serroient exempts du dite gylde, et qu'ils ne rien paierent du dite ferme."—*Rot. Parl.* iii. 600; iv. 50.

[1] In list of royal writs in Letter Book G, compiled between 1353 and 1375, in *Liber Albus* 628, 649.

[2] Ib. 642.

[3] Translated in Riley *Memorials of London*, 306.

and rule their trade;" that every alien who wishes to work in the city should be obliged to present himself before these officers and prove his capacity, and that his wages should be fixed by them: and that the same officers should decide in quarrels between masters and men about wages, as well as in cases of petty larceny. Then come the ordinary guild regulations restricting night work and work on holy days. The proposed rules were sanctioned; whereupon two Flemings and a Brabanter were chosen and sworn "to keep and oversee the articles aforesaid and the alien men of the same trade."

This fellowship or mystery—it is perhaps too late to be called a guild—obviously included both Flemings and Brabançons. But Flemings must certainly have largely preponderated, and therefore we may with little hesitation identify it with "the trade of the weavers among the Flemings" spoken of in the "Articles of the Flemish weavers in London" four years later.[1] They ask that previous ordinances may remain in force; that weavers who cause affrays and are fined by the sheriffs shall pay an additional fine to their own society;[2] and that the bailiffs of the society shall not be allowed to summon meetings or demand contributions without the assent of twenty-four men of the trade to be chosen by the city authorities. Yet even though men of Flanders and of Brabant were united in the same body, there was a good deal of jealousy between them; hence it was that in 1370 "the commonalty of the weavers among the Flemings" petitioned for the renewal of a previ-

[1] Ib. 331.

[2] "They shall make fine to the *chamber*." The same word is used in the document of 1362: "let him pay to the *chamber* the penalty."

ous ordinance of the magistrates which, for the prevention of affrays between the two races, had ordered that "the weavers Flemings" should meet for the hiring of serving-men, in the churchyard of St. Lawrence Pountenay and "the weavers of Brabant," in the churchyard of Our Lady Somersete. But they did not wish that there should be two rival organizations, for they asked also "that the serving-men in that trade should serve indifferently under the weavers of either nation."

The weavers' guild was the earliest, and for a long time, the most influential of all the artisan associations. But other bodies were now entering into the privileges which the weavers had won for them, and were outstripping them in the race for wealth and power. There are abundant proofs of the lessening importance of the London "weavercraft" in the later part of the fourteenth century. Thus we find that as early as 1377 they had sunk into the ninth place among the "mysteries;" and that while nine companies send six members apiece to the common council they send only four.[1] This change in their position was largely due as will be seen later, to the rise of the companies of *traders*. But it must have been hastened by the struggle with the foreign weavers, and the refusal of the latter to contribute to the guild. In the eighth year of Edward IV. the weavers' guild was four hundred marks in arrears with its ferm, but it could pay nothing and got deeper into debt till the sixteenth year, when it was released from the obligation. In the twenty-fourth year of Henry VII. it owed for nine years. And "the gild

[1] List in Herbert, *Livery Companies* i. 34.

of weavers with broad looms"—which is almost certainly the same as the old guild of weavers, was again in the thirty-eighth year of Henry VIII. pardoned its arrears of ferm "in consideration of the poverty of the said artificers."[1]

Yet it is clear that, somehow or other, the weavers' guild, or "company" as it came later to be called, did succeed in the end in incorporating the foreign weavers and their descendants. The evidence on the subject is very scanty: but we may perhaps gather from the mention in the Liber Albus of "an Arbitration between the weavers of Flanders and other weavers," and of "an Indenture between weavers, native and foreign," that some sort of agreement to this effect was come to between the old guild and the newcomers; even if as we see from frequent petitions from the weavers under Henry IV., it did not go so far as to make the foreigners contribute to the common funds.[2] Certainly in the reign of Queen Anne the weavers' company had the power of compelling all weavers within London to become members, a power which they exercised until the present century.[3]

---

[1] Madox. *Firma Burgi*, 195–7. Madox is not sure that "the gild of weavers with broad looms" is the same as "the gild of weavers." But neither the term *guild* or *firma* would have been used in the case of a newly formed company.

[2] *Liber Albus* 725, 726. The *Col. Rot. Pat.* under 3 R. I. mentions "an agreement between native and foreign weavers," though this is followed by a confirmation of the liberties granted to foreign weavers in 26 Ed. III. Unfortunately these have not yet been printed.

[3] *Reports from Commissioners on Munic. Corporations, London*, 1837, 208, 210. Parties carrying on the trade of weavers in London are summoned to take up their freedom in the company, the court having the power by the charter to compel them to do so. Parties within the jurisdiction of the city generally have submitted to the

Meanwhile a new manufacture—that of *worsted* stuffs—had grown up in Norfolk; whether or no connected with the new settlers we cannot determine. In 1328, Edward issued a letter patent on behalf of the cloth-workers in worsted in the county of Norfolk;[1] and the manufacture was already so extensive and important that next year a special aulnager, Robert of Poley, was appointed for life, to inspect the worsted stuffs in the city of Norwich and elsewhere in the country.[2] Robert of Poley kept his office for twenty years, but, in 1348, the worsted weavers and merchants of Norwich petitioned that the patent should be revoked, and that the supervision of the cloth might be entrusted to their own officers; a petition which the royal council thought fit to grant "for the common profit of all estates."[3] But free trade, in the sense of the absence of regulation, does not always work well; and when, in 1403, Norwich gained a new charter, giving it a mayor and a sheriff, almost the first care of the new municipal authorities was to meet the evils which had arisen.[4] In 1410 the commons in parliament represent to the king, on behalf of the mayor, sheriffs and commonalty of Norwich, that "worsteds have been recently made by the workers of them, with deceit

authority of the court, but several cases have occurred where it has been necessary to proceed by actions at law, in all of which the company has been successful."

[1] *Col. Rot. Pat.* 103. 2 Ed. III. "Pro operariis pannorun de worsteds in Comitatu Norff."

[2] Ib. 104. 3 Ed. III.

[3] Ib. 156. 22 Ed. III. An abstract of the petition is given in "*Abridgment of the Records in the Tower*," by Sir. R. Cotton, revised by W. Prynne, (1657), 71.

[4] Blomefield, *Hist. of Norfolk*, (1745), ii. 88.

both in their quality and in their measure, to the great scandal and hurt of the loyal merchants of the city and surrounding country, to the hurt also of the lords, gentry and all other folk of the realm, who are wont to buy worsteds for their needs; and to the certain destruction of the merchants who pass with these worsteds into Flanders, Zealand and other places over the sea. For if the foreign merchants decided to search and measure all the worsted coming from this side, and to seize all they found defective, ordering besides severe penalties for the sellers of such worsteds, it would be a great scandal and reproof to this kingdom—and the total destruction of the merchants of the city of Norwich, who trade in nothing but worsteds. That it would please our Lord the King to consider, how, that the workers in worsted have repaired, and continually do repair, to that city and commonly to a place called the Worsted-Selde within the city." They beg, therefore, that in future the power of search and aulnage should be entrusted to the mayor, sheriffs and commonalty, or their deputies. Their prayer is granted; henceforth no cloth is to be sold before it has been sealed as to due quality and size; a fee of a farthing is to be paid for each piece of one sort, and a half-penny for each piece of the other sort, the money thus obtained to go to the repair of the city walls.[1] The grant was originally made only for seven years, but afterwards renewed. At first the office of "Aulnage and Seal" was left to two citizens, who were to pay a yearly rent to the corporation;[2] but an act of Parliament

[1] *Rotuli Parliamentorum* iii. 637.
[2] Blomefield ii. 91.

both cases the primary object was the same—to provide for the complete supervision of the processes of production and sale. There were probably other and secondary objects in view—to secure for all engaged in the industry an equal opportunity of making a livelihood, and to ensure the possession of technical skill on the part of producers. But the necessity of control, lest goods should be ill-made and the customer cheated, is the purpose set in the forefront of the regulations.[1]

III.

THE RISE OF A TRADING CLASS.

The position of the English cloth industry, compared with that of other countries, in the second half of the fourteenth century, was this: Like the industry of the Rhine and of northern France, it was rapidly gaining upon that of the Netherlands, but it had not yet surpassed in importance the manufactures alike of the Netherlands, of France, and of the Rhine, as it was destined to do in succeeding centuries. The development, therefore, is, as we might expect, exactly parallel with that of other countries; and of this development the most important feature is the appearance of a distinct class of dealers, of traders in cloth as distinguished from makers of cloth. This is a fact of the utmost importance. Nowhere but in the Netherlands had there been room for the growth of such a body before this time. There the sale of cloth had long been as important to merchants as the purchase of

[1] Schmoller, *Strassb. Tucker u Weberzunft*, 386.

wool, and both were monopolized by the little burgher oligarchies who were united together in the Hanse of London. Now it is clear that the spirit of the guilds merchant in England was the same as that of their models abroad; whatever trade there was they would get into their own hands. It has been shown above that as early as the reign of Henry II. there was some little trade in dyed cloths, and that the ruling classes in the towns attempted to secure a monopoly of it. During the two centuries, however, which followed, the craftsmen had succeeded in gaining the rights of citizenship, and the exclusive privileges of a small governing class had passed away. Any citizen could now trade in cloth if he wished. Still it was not until the period at which we have now arrived that a special class of cloth dealers, or *drapers*, made its appearance.[1] There had been so little manufacture for any save the immediate market—the wants of the town and neighborhood—that if men dealt in cloth at all, they dealt in it together with half a dozen other commodities; they were merchants, and not dealers in one particular article.

We are so accustomed now-a-days to the appearance of a new branch of commerce, entered upon by men with the command of capital, which they are ready to make use of in any profitable way that presents itself, that the rise of the cloth trade may not seem to need explanation. But in the fourteenth

[1] Herbert, Livery Companies, 1, 233, says: "The Sumptuary Act, 37 Ed. III., proves the mercers to have sold in that reign woollen cloth. . . . It ordains that . . . mercers and shopkeepers in towns and cities "shall keep due sortment thereof." The act does not mention mercers at all; it mentions only "drapers et fesours de draps."

century there was but little of what may be termed free and disengaged capital, ready to be turned in any profitable direction. Hence the question arises, in what way precisely did this new division of occupations arise. It is antecedently probable that trade in cloth would be engaged in chiefly by men who were already in some way connected with the industry. And of these, there were two groups from either of which the new body might conceivably have arisen—the wool-dealers and the cloth-finishers. It does not appear that before this time there was any very uniform system of relations among the various branches of the cloth industry. I suppose that the weaver had usually been the most independent; that he had very generally bought the yarn himself, and then, after weaving the cloth, had paid the fuller to full and the dyer to dye it, and had sold the cloth himself to the person who intended to use it. The user might employ it in its rough state, or, as was often the case, would take it to the cloth finisher, the *pareur*,[1] or, as he is called later, the *tonsor* or *shearer*, who sheared off the nap at so much the piece.[2] But the weaver did not always occupy this economically superior position; sometimes he received yarn from a customer or employer, and gave back cloth, receiving so much per piece as remuneration; sometimes again the fuller bought the cloth from the weaver, or paid the weaver for working up yarn into cloth, and himself sold it to the public. Any of these branches, therefore, might

[1] The gilda parariorum appears among the adulterine guilds in 1180. Madox *Exchequer* 391, but is not subsequently mentioned. See Ducange, s. vv. paravia parator and Littré s. v. pareur.

[2] Instances in Rogers, Hist. of Agr. and Prices, iv. 566.

have become the dominant one. But the two mentioned, the wool-dealers and cloth-finishers, had obvious advantages. On the one hand, the wool dealer, whether he merely bought the raw wool and sold it to those who would make it into yarn, or whether he himself paid for its being beaten and spun, and then sold it to the weaver, was already a merchant with some command of capital and accustomed to commercial dealings. English dealers in wool and other staple commodities were at this time becoming an important and influential body, and were beginning to contest with the Teutonic Hanse its monopoly of export from England.[1] It is therefore likely enough that such merchants would trade in what was practically a new commodity, the cloth which was now being supplied of better quality and in larger quantity than ever before. [But whatever may have been the case in other countries, there is certainly no evidence that in England the dealers in cloth came, to any large extent, from among the dealers in wool.]

The other theory, that it was the cloth finishers who first ventured upon trade, has also antecedent probability in its favor. For it was through their hands that the cloth last passed; instead of waiting for a customer to bring a piece of cloth to be shorn or finished, they might see the advantages to be got by buying the cloth from the weaver and finishing it ready for the customer. As the demand increased, they would need larger stocks, and some of

[1] For the Merchants of the Staple, see Schanz, *Englische Handelspolitik gegen ende des Mittelalters*, i. 329-332. Williamson's *Foreign Commerce of England under the Tudors*, (Oxford "Stanhope Essay," 1883), is a useful abstract of Schanz's very important work.

them would probably soon give themselves up entirely to the trade. It seems very likely that this is what took place in Paris and in France generally. There, apparently, it was the fullers who caused the cloth to be put through its final processes, either shearing it themselves or employing men who sheared it for them; and it was the fullers who sold it to the general public. The term "draper" was at first used quite generally for any one making or dealing in cloth,[1] but clearly in the thirteenth century it became a synonym for fuller.[2] Seen first as rivals of the weavers in the sale of cloth,[3] the fullers seem quickly to have got it in their own hands; until finally, in the middle of the fourteenth century royal letters patent divided the "drapers" into two classes, manufacturers and traders.[4]

What information we have in England points in the same direction. Isolated "drapers" appear in

---

[1] Especially for weavers, see Statutes of Weavers of S. Marcel, 1371, in Fagniez, *Etudes sur l' industrie et la classe industrielle* à *Paris, au xiii. et xiv., siécle.* (Bibl. de l'école des hautes études, 1877). 339. Espec. §§ 21-2. 341—Fagniez's work, useful for its references and quotations, has its value to the economic historian lessened by his unhistorical method of quoting documents separated from one another by a century or more, as if they referred to the same stage of industrial development. He has also taken from Depping the phrase "Eisserands-drapiers," for which no authority is given. Drapers appear neither in the ordinances issued by the Prèvots of Paris between 1270 and 1300, nor in Etienne Boileau's Livre des Métiers. So that it is impossible to suppose that a class of *dealers* in cloth existed at that date.

[2] Ib. 106 n. 1; 335, "ordonnances ancinnement faictes sur le mestier des *foulons drappiers* de la ville et terre St. Genevieve."

[3] Ib. 234.

[4] 1362, according to Depping, "*Réglements sur les Arts et Métiers de Paris*, 113 n. 2.

the thirteenth century;[1] but there is no certain evidence of a *body* of dealers in cloth, even in London, before 1364, the date of the first charter granted to the Drapers' company. The same charter furnishes evidence that the drapers were still *makers* of cloth *i. e.*, completed the final processes, including shearing; for the preamble complains that "dyers, weavers and fullers, who used to follow their own crafts, have become *makers* of cloth."[2] Moreover towards the later part of the next century, we find the fullers and shearmen in a position of dependence upon the drapers,[3]—paying a fee at Drapers' hall for each apprentice—that is easily explained on the supposition that the drapers had arisen from among them. The fullers were incorporated in 1480, and the shearmen had a fellowship and wardens, with certain rights of supervision; but the great companies of drapers and tailors were promised that the shearmen should not be incorporated, and they were not incorporated till 1508.[4]

This mention of the close connection between the drapers and tailors in London suggests a piece of circumstantial evidence which is at any rate curious. In several towns, as in York and Oxford, the drapers and tailors were united in the same company; but in

---

[1] "Pentecost le Draper," on 1222 Hist. MSS. Com., 9th Rep., 1. b.; "Gervase the Draper," end of reign Hy. III., 5th Rep., 559; "Rothard le Draper" in 1289, *Ib.* 326.

[2] Herbert, *Livery Companies*, i., 480; the preamble, which is very important, is omitted by Herbert; but an abstract is given in the Drapers' Company Return, in *Report of Livery Companies Commission* (1884) ii., 170.

[3] Herbert, i., 426.

[4] Abstracts of charters in Return of the Clothworkers' Company n *Livery Companies Com.* ii., 674.

Coventry the place of the drapers is taken by the shearmen, and the mystery play was presented by "the company of sheremen and tailors."[1]

However we may explain their origin, the drapers certainly formed powerful companies in London and other great towns towards the end of the reign of Edward III., and in that of Richard II. The London company of drapers were not long in obtaining important rights of supervision over the industry of the capital and indeed of the whole country. Their earliest charter had given them a monopoly of the retail sale of cloth in London and its suburbs; anyone not belonging to the mystery who had cloth to sell could indeed sell it in gross to lords and commoners who wanted it for their own use, but they might never sell it retail, or even in gross to merchants not belonging to the Drapers' company.[2] By the purchase of a hall in 1384, the company obtained an administrative centre:[3] the fact that this hall was in St. Swithin's lane shews how close their connection still was with the weavers of Cannon street. Indeed, during the next century the old quarter of the working weavers came to be occupied by dealers: in *London Lickpenny*, the best-known ballad of Lydgate, a countryman describes how

> "Then went I forth by London stone;
> Throughout all Canwyke street;
> Drapers much cloth me offered anone."[4]

---

[1] *Eboracum* (1788) i., 222; *Records of Oxford*, 331; *The Pageant of the Company of Sheremen and Taylors*, Sharp, (1817).

[2] The translation in Herbert, i., 480 is meaningless. The clause runs: "Que nul que eit drap' a vendre en la dite cite, ou en les suburbs, ne les vende forsque as drapers enfranchiez en la dite mestier de draperie, s'il ne soit en gros as seigneurs, et autres du commune, qi les voillent achater pour lour oeps demesne, et nemie a rataille."

[3] *Liv Comp. Com.* ii., 173.

[4] *Minor Poems of Lydgate*, ed. Halliwell, Percy Soc. 106.

An important characteristic of mediæval life was the great annual fair, held usually outside the walls of towns, on the lands of great lords, or ecclesiastical bodies, who derived no small part of their income from the fee paid by each dealer who set up a booth. There were three of these in the suburbs of London; at Westminster, belonging to the Abbot, at Smithfield, to the Prior of St. Bartholomew, and Our Lady's fair at Southwark, belonging to the Prior of St. Mary Overy. Of these the first was the most important and lasted thirty days, while those of Smithfield and Southwark lasted but three. Cloth now became the chief article sold at these gatherings; the fair of St. Bartholomew was especially known as the Cloth Fair. Early in the fifteenth century the Drapers and Merchant Taylors' companies obtained the right to search all the cloth exposed for sale and to mark it according to its size.[1] The annual search at Westminster seems to have soon ceased: but down to 1737, long after the conditions of industry had altogether changed, the wardens attended year after year at Smithfield and Southwark with "the Company's standard."[2]

The earliest accounts in the possession of the company, those of 1415, shew that it was already a powerful body, numbering, as it did more than 100 members[3]—by which must be understood master drapers only, and not journeymen or apprentices. By this time, however, a considerable number of drapers had arisen in other towns; and, both for the sale of their cloth to the people of London, as well as for its

[1] Herbert 1., 427.
[2] *Liv. Comp. C.* 173.
[3] Ib.

easier export to foreign countries, these began to resort to the capital. They could not fail to come into collision with the monopoly of the London drapers, and it was necessary for the government and the municipal authorities to devise some way out of the difficulty. The plan they hit upon was the establishment of Blackwell, or as it was originally called Bakewell hall, which was destined to be of the utmost importance to the English woollen industry for four centuries. This was an old hall with a considerable piece of ground around it, in Basinghall street; it had originally belonged to the Basings, had been occupied by a certain Thomas Bakewell in the reign of Edward III., and was now, in 1397, purchased by the mayor and commonalty of London and turned into a market for country drapers.[1] With the sanction of the government, the mayor or aldermen and commonalty issued in 1398 regulations to the following effect: Country drapers were to house, shew, and sell their cloth only at Blackwell hall; the sale was to be carried on weekly between noon on Thursday and noon on Saturday: and merchants—among whom aliens, *i. e.* foreigners, are specially mentioned—are not to buy from them except at the hall and within the times appointed: the penalty for the breach of these rules being the forfeiture of the cloth in all cases.[2] In order that the regulations should be obeyed, the common council in 1405 empowered the Drapers' company to appoint a keeper of the hall every year, a power that was exercised at

[1] Stowe, *Survey of London*, first ed. 1598, 227-9.

[2] Ordinances of Bakwelle halle, trans. in Riley, *Memorials of London*, 550.

any rate as late as 1526.[1] Although it is not stated in the ordinances, it is made clear by a statute of Henry IV. that the object of these regulations was to prevent the country drapers from dealing directly with the customers of the London drapers, and selling their cloth to them in detail. All the trading in Blackwell hall apparently was wholesale. But the London drapers had met with so much support from the government hitherto, that they thought they might venture to go farther, and force the country drapers to sell only to themselves. To permit this was to give the London drapers a monopoly of the cloth trade of the kingdom, and to enable them to demand what price they pleased; and therefore, Parliament, which had not yet given up the task of securing fair prices and justice to manufacturers and consumers as well as to dealers, interfered, and by an act of 1405–6, it was ordained that "drapers and sellers of cloth, like all other merchants, shall be free to sell their cloth in gross to all the king's liege people."[2]

The growth within England of a great cloth manufacture brought with it of necessity a complete change in the character of English trade, and in the commercial relations of this country. Up to this time she had exported wool and imported cloth; now she begins to export cloth and to limit and finally under Elizabeth to prohibit altogether the export of wool. The history of the export of cloth is closely associated with that of the Society of Merchant Adventurers,

[1] *Liv. Comp. C.* 173.

[2] 7 Hy. IV. c. 9. *Statutes of Realm* ii. 153. For the acts, the whole of the fourteenth and fifteenth centuries, the translation which is of later date, and uses later terms, cannot be relied upon.

the parent of all the later trading companies which won for England her commercial supremacy. It is not necessary here to enter in detail into their story, especially since it has been carefully worked out by Schanz.[1] It need only be understood that they derived their names from their adventuring on trade in new directions with new commodities; that they were never tied down to one or a few places like the Merchants of the Staple, and that their organization was of the freer and more modern character of a chartered company instead of resembling that of a guild. It was not only in the cloth industry that the second half of the fourteenth century had seen the appearance of a class of large traders: the *mercers*, originally pedlers of small wares, had become merchants, trading principally in silk, the pepperers had become *grocers*, *i. e.*, engrossers or wholesale dealers in spices. The sermon-writer Armstrong looks back in 1519 to the time "before the getting of the narrow sea and Calais," on to a golden age: "there were no such sort of buyers and sellers of all things as now is * * * * then were not mercers, grocers, drapers, nor such occupations named."[2] These three trades had as early as the end of the reign of Edward III. risen to be the first among the London companies: in other towns they occupied a similar position: and it was from members of these three trades that the body of Merchant Adventurers arose towards the end of the century. At first the Merchant Adventurers were mostly mercers, and their connection with the

[1] *Englische Handelspolitik* i. 332 Seq.

[2] Pauli, *Drei Volkswirthschaftliche Denkschriften aus der Zeit Heinrichs VIII.* (Abh. d. K. Gesellsch. d. Wissenschftn, Göttingen, 1878), 44, 45.

London Mercers' Company was closer than with any other body. But soon, if not from the first, cloth became the chief article in which they traded. This was so much the case that when in 1601 the secretary of the society wrote its history, he described it as actually originating in the intention of Englishmen to export the fine cloth beginning to be made in their country. His description of the company is worth quoting: "It consisteth of a great number of wealthy and well experimented merchants, dwelling in diverse great cities, maritime towns and other parts of the realm, to wit: London, York, Norwich, Exeter, Ipswich, Newcastle, Hull, etc. These men, of old time, linked and bound themselves together in company for the exercise of merchandise and seafare, trading in cloth, kersie and all other, as well English as foreign commodities vendible abroad."[1]

In the next thirty years they created a considerable trade with France, Spain and Italy. But the chief interest of their history turns on the struggle between the English and the Flemish cloth industry. The "staple town" of the Merchants of the Staple had been Bruges, so that it was natural that the Merchant Adventurers should at first make it their centre also. But Bruges was one of the three great cloth-making towns of Flanders—Ghent, Bruges, Ypres—and every sort of difficulty was thrown in the way of the English traders. The Merchant Adventurers in consequence, gradually removed to Antwerp in Brabant,[2] where there was no considerable cloth manufacture. They were favored by political

[1] John Wheeler, *A Treatise of Commerce*, (1601) 10, 19.

[2] Schanz i. 9, 442.

events; the murder of John, Duke of Burgundy, in 1419, led to a close alliance of the Burgundian house with England until 1434. But by that time the great success of the Merchant Adventurers had disabused the Flemings of the idea that English competition would not injure them if only English merchants were forced into an adjoining province. The Burgundian princes were in the moods to listen to the complaints of their subjects, especially as they were already beginning the attempt to unite their Netherland provinces more closely together, and could not be blind to the disastrous consequences of the destruction of Flemish industry. Accordingly in 1434 the importation of English cloth into the Netherlands was prohibited entirely.[1] The English government replied by prohibiting the export of English wool. And although during the last century new sources of wool supply had arisen—notably, in Spain—such a measure was able seriously to embarrass the Flemish manufacturer.[2] On the other hand it was opposed to the interest of the landed class in England—the growers of wool, and of the Merchants of the Staple—the exporters of wool. Hence it was difficult for either the English or the Burgundian government to follow a consistent policy, and the varying necessities

[1] *Ib.* 443.

[2] The author of the *Libel of English Policy*, written in 1436, is doubtless right when he says to the Flemings:

"The grete substance of your clothe, at the fulle, Ye wot ye make hit of our Englische woole," and of Spanish wool.

"Hit is of lytelle valeue, trust unto me, wyth Englische wolle but if it menged be." *Political Poems*, Ed. Wright, Rolls' Series, ii. 161-2. For proof of the superiority of English to Spanish wool as late as 1438 and 1441, Macpherson, i. 654-5. See also references in Hildebrand, *Jahrb. für Nationalökonomie*, vi. 199, n. 54.

of York and Lancaster or of the Burgundian rulers in their hostility to France, led to temporary relaxations on either side. But in 1496 England was successful, and by the Intercursus Magnus, Henry VII. gained the free entry of English cloth into the Netherlands. The result, hastened by the religious troubles of the Netherlands, and by the renewed immigration of foreign weavers under Elizabeth, was the destruction of the Flemish industry, and the rise of the English cloth trade to this unique importance in the sixteenth and seventeenth centuries.

IV.

THE GROWTH OF THE DOMESTIC SYSTEM.

For the history of industry during the first sixty or seventy years of the fifteenth century, we have singularly little evidence. Yet during that period a complete change was taking place in the whole character and conditions of manufacture. The guild system was dying and the domestic system was taking its place; a change which can only be compared in its far reaching consequences to the overthrow, during the present century, of the domestic system itself by the strength of machinery and great capital.

So entirely does a prevailing method of industrial organization take possession of men's minds, that the very term "domestic system," which was familiar enough in the early part of this century, has become strange, and may require explanation. But, in order clearly to indicate the nature of the domestic system and of the transition to a new order of

things, it will be necessary to leave for a time the direct narrative of industrial facts, and to enter upon rather more general considerations.

Recent economic historians have traced four stages in the development of industry—stages through which all parts of industrial society have passed or are passing—and it is now generally the custom to describe these as the family system, the guild system, the domestic system and the factory system.[1] In the first, the work was carried on by the members of a household for the use of that household. Whether the household were that of the villain, or that of the great noble or ecclesiastic, did not alter the essential character of the relations thus created, which was, that men did not work to meet an outside demand; there was no sale.

In the second stage, industry was carried on by small masters employing two or three men (distinguished later as journeymen and apprentices). The masters very often bought the materials and sold the finished goods, *i. e.*, he was a shopkeeper as well as an artisan. But even where the craftsmen received the goods to be worked up from a customer, and was paid so much per piece for his work—as was probably usually the case with fullers and shearmen—even then he had to deal either with craftsmen in much the same position as himself, or with persons who intended themselves to use the commodity on which his labor was spent. There was a market, *i. e.*, there was a demand from persons outside the family, but it was small and comparatively staple.

---

[1] Thun, *Die Industrie am Niederrhein* ii. 246; Held, *Zwei Bücher zur Socialen Geschichte Englands* 541, *seq.*

In the third stage, which, in England, occupies the period from the middle of the fifteenth to the middle of the eighteenth century, many of the terms remained the same. There were still small master-artisans, with journeymen and apprentices; the work was still carried on in the master's or the journeyman's own house, and the craftsmen were personally free as to their daily actions. But the master had lost his economic independence, and no longer acted as a shop-keeper or merchant. He often received the raw material from, and always gave up the finished goods to a merchant, factor or middle-man of some sort, who took the risk of the fluctuating demands of that greater market, which had now come into existence.

In the fourth, the workmen are gathered together in great masses, usually in one building, under the immediate control of a capitalist employer. Technical skill is now far less important than capital; the workman has completely lost his industrial independence, and the market is increasingly wider and more fluctuating.

These stages must not be regarded as rigidly distinct, any number of intermediate arrangements were possible and are to be found. Nor are the terms which are used to distinguish the four stages anything more than convenient expressions. For instance, so large a proportion of manufacture was organized in the guild system, that that term may be fairly used to describe the industry from the middle of the twelfth to the middle of the fifteenth century. But, in some occupations, while there was a sufficient demand to induce men to give up their time entirely to a particular sort of labor, there could never be a

demand sufficient to call into existence a body of such craftsmen in a particular district, large enough to form a guild.[1] Thus, most villages had blacksmiths, but only in the largest towns could there be a blacksmiths' guild. Probably in the woollen industry, isolated weavers and other craftsmen maintained themselves throughout this period in out-of-the-way places, without belonging to any organization; and this, in spite of the efforts which the town guilds made in England, as in other countries, to prevent the exercise of their craft in the country districts.[2] In these cases, the individual craftsman would be without the support and control of the guild, but the essential characteristics of his position were the same as that of the guild members. His capital was very small; he dealt directly with the customer; there was no social gulf between himself and the two or three men or boys he employed.[3] It must be noticed also, that even when a particular organization of industry is dominant, there often exists side by side with it, arrangements belonging to an earlier type. Thus to-day, the overwhelmingly larger part of the staple products of England are made in factories, mills, or "works." Yet here and there are still found men "working for themselves" and dealing

[1] Even in such a town as Colchester, there were in 1305 only eight (master?) weavers, six fullers and three dyers. Rogers, *Six Centuries of Work and Wages*, 121.

[2] Thus the York weavers had a monopoly for the county; those of Nottingham for ten leagues around; those of London in places pertaining to London, a phrase wide enough since Henry I.'s charter to cover Middlesex.

[3] Hence it might be well to follow those German writers who have used the term *Handwerk* and to speak of *Handecraft-system*, but this might lead to confusion with the state of things which followed.

directly with the customer, just as in the fourteenth century. It is still more frequently the case that men work in their own homes, but "for some shop;" and here the conditions are in the main those of the seventeenth century. But these are survivals, and with the invention of machinery displacing skill, and the increased cheapness of carriage which favors the larger centres, will tend to disappear. Similarly we find, in the previous period, that though the domestic system became the prevailing one in England's great industry—the manufacture of cloth—and to a lesser degree in all the other important manufactures, the guild system, under the later names of crafts, mysteries and companies, or as part of the law of municipal corporations, still lingered in the towns. But it was moribund, or where active, active only for evil.

We may conjecture that a two-fold process went on in the fifteenth century, (1) that in the towns, the guilds or companies became small close corporations and lost control over the industry; (2) that the industry spread from the towns into the country, and that there a new class of men called *clothiers* or *clothmakers* arose, commanding an amount of capital great relatively to previous conditions, and bringing into dependence upon themselves comparatively large numbers of workpeople.[1]

To take the first of these points: (1.) The guild system could only retain its vigor so long as it opened a career to all industrious craftsmen, so long as it en-

[1] Cf. similar development on the lower Rhine, in Thun i. 16-18; and for complaints of the extension of industry to the rural districts as late as 1775, Schmoller, *Zur Geschichte der Kleingewerbe in Deutschland*, 15.

abled the average journeyman to rise in due course to masterhood, and himself employ his couple of journeymen and apprentice. But in the later middle ages there was a strong tendency for the masters to become a close corporation of privileged families, into which the entrance of the journeyman was rendered difficult by heavy fees and burdensome conditions. When the journeymen are found forming separate societies and the masters anxious to suppress the new bodies, it is clear that the journeymen could no longer have felt that the old guilds protected their interests as well as those of the masters. Such separate organizations are found in several crafts at the end of the fourteenth and beginning of the fifteenth century.[1] It is perhaps significant that the earliest example of such divergence of interests is found in 1350 among the shearmen; for an ordinance issued by the guild of shearers in that year complains that when a dispute arises between a master and his man "such man has been wont to go to all the men within the city of the same trade, and then by covin and conspiracy between them made, they would order that no one among them should work or serve his master until the said master and his servant had come to an agreement."[2] This adds some probability to the suggestion already made that the class of traders known as drapers arose in the main from among this craft of shearmen; masters already standing in such a position of social superiority to their men, would be likely enough to turn their attention to trade. We have, however, more direct evidence,

[1] Riley, *Memorials of London*, 495, 543, 609, 653. Cf. Brentano, Essay in Toulmin Smith, *English Gilds*, cxlv–cxlviii.

[2] Ib. 247.

of the transformation of the craft-guilds into close corporations in the series of statutes with which the government endeavored, though in vain, to prevent the change. The first of these was passed as early as 15 Henry VI. (1436–7):[1] "whereas the masters, wardens and people of several gilds, fraternities and other companies incorporate, oftentimes, by colour of rule and governance, and other terms in general made to them, granted by charters and letters patent of the king's progenitors, make among themselves many *unlawful and unreasonable ordinances*, as well of such things whereof the punishment cognizance and correction only pertaineth to the king, lords of franchises and other persons, as also of things which often of confederacy are made *for their singular profit and common damage to the people*, they are to bring all their charters and patents before Michælmas to be registered before the justices in the country and the chief governors of towns. And in future they are not to make any ordinances not previously approved of by the authorities, and recorded by them, to be afterwards revoked if found unreasonable." This statute was renewed in 1503–4 (19 Henry VII.) with the significant change that the power of control was given not to the town magistrates, who probably were themselves interested, and could not be trusted, but to the chancellor and chief justices. Both these enactments are expressed in such general terms that if they stood alone we might remain uncertain as to the evils against which they were directed. But the act of Henry VII. is appealed to in a later statute,

[1] *Statutes of the Realm*, ii. 298.

that of 22 Henry VIII. c. 4. (1530),[1] which goes on to declare that since that time, and "contrary to the meaning of the act aforesaid," certain wardens and fellowships have demanded heavy fees from apprentices, ranging from three shillings and four pence to forty shillings, "after their own sinister minds, and to the great hurt of the king's true subjects putting their child to be prentice." Henceforth, it is enacted, they shall not take more than two shillings and six pence, "for the entry of any prentice into the said fellowship," nor more than three shillings and four pence "for his entry when his years and term is expired." But these "good and wholesome statutes" were "defrauded and deluded" by a new devise; the wardens "causing divers prentices or young men immediately after their years be expired, ere they be made free of their occupation, to be sworn upon the Holy Evangelist at their first entry that they .... will not set up nor open any shop, house or cellar, nor occupy as freemen, without the assent and license of the master wardens and fellowships of their occupations, upon pain of forfeiting their freedom."[2] So that six years later it was enacted that no such oath should be imposed, and no payments enacted beyond those previously fixed. But this measure was as unsuccessful as those which preceded it. It became increasingly difficult for a poor man not connected by birth or marriage with a company to become a master craftsman, and all men of any energy of character would try to leave the towns and carry on their occupations under freer conditions.

[1] Ib. iii. 321.

[2] 28 Henry VIII. c. 5. *Statutes* iii. 654.

Still the guilds or companies might in England, as in Germany and France, have continued to exert very considerable influence in their own neighborhoods, and might have delayed and hampered the growth of industry in rural districts. But they were reduced well nigh to impotence by the confiscation of their estates,on pretence of superstitious uses, by the ministers of Edward VI.,[1] a fate from which only the London companies were able to escape. The guilds had been the friendly societies of the middle ages, and the proceeds of their estates had been spent largely in payments to sick members, in portioning their daughters, apprenticing their sons pensioning their widows and the like. Robbed of their funds the guilds could no longer fulfill one half of their previous functions: the very real benefits which the fully free members enjoyed; the occasional assistance which even the journeymen sometimes probably obtained, could no longer be looked for. Associations which had lost the power to benefit, were not likely to be able to exercise with any force their powers of coercion.

(2) It is when we turn to the industrial conditions which took the place of the guild system, and to the agricultural changes with which the transition was accompanied, that we begin to understand how great a part the woollen manufacture has played in Eng-

[1] 1 Edward VI., c. 4. *Statutes* iv. 24. Attention has been called to this by Rogers, *Hist. of Agric.*, iv. 5. *Six Centuries* 347: who, however, does not seem to attach sufficient weight to the consideration that the benefits derived from the guild estates were at this time probably almost monopolized by small groups of families. It must be noticed that we do not know the actual course and results of the confiscation in any particular district; evidence on the subject must be in existence, but I believe it has never been printed.

lish social history. For the extraordinary and rapid success of the industry brought about not only the downfall of the guild organization, but also a far-reaching change in English agriculture. Now that there was a constant and increasing demand for wool, it became the interest of the landowners to raise sheep rather than to grow corn, especially as the great increase in the cost of labor since the Black Death had already made tillage unremunerative. The writers of the sixteenth century, and modern historians following them, have dwelt on the far-reaching consequences of the introduction of pasture farming, the superfluity of laborers, the amalgamation of farms, the increase of rents, the dispossession of customary tenants.[1] What we are here specially concerned with is the fact that the development of the cloth industry helped partially to alleviate the evils it had itself caused, by giving employment to those whom the agricultural changes deprived of work. Indeed, the wealthy graziers were themselves very commonly clothiers also, in the sixteenth century; the wool grown upon their own land, they employed men and women of the neighborhood to make into cloth, and then sold it to the London drapers or dealers.[2] And it must not be forgotten that

[1] See especially More's *Utopia* and Latimer's *Sermons*. A catena of quotations from the 16th c. writers is given in Schanz, i. 466 seq. Of modern writers, see espec. Nasse, *Agric. Community of Middle Ages*; Ochenkowskig, *England's Wirthschaftliche Entwickelung*. 35 seq.; Cunningham, *Growth of English Industry and Commerce*, b. iv., c. 2.

[2] Thus the French Herald is made to say, in the *Debate between the Heralds*, by the Englishman John Coke, secretary to the company of Merchant Adventures: "In England your clothiers dwell n great farms abroad in the country, where, as well they make cloth and keep husbandry, as also grass and feed, sheep and cattle." *Debat des Heraults d'armes*, (pub. Société des anciens textes Francaises, 1877) p. 105. See also quotations in Schanz, 606.

where peasant proprietorship and small farming did maintain their ground, this was largely due to the domestic industry which supplemented the profits of agriculture.[1]

Of the early history of the domestic industry, we have no information; when it is first noticed in public documents, it seems to be already widely spread over the country. The central figure to be studied in the new organization of labor is the clothier. He buys the wool, causes it to be spun, woven, fulled, and dyed, pays the artisans for each stage in the manufacture, and sells the finished commodity to the drapers. Much confusion has been introduced into the subject by the lax use of terms by all writers since the sixteenth century. Familiar themselves with the action of "clothiers," they have used that term in treating of previous periods for anyone who had to do with cloth, mixing together weavers, cloth finishers, drapers and clothiers, without hesitation. But just as there is no evidence of a body of traders before the middle of the fourteenth century, so there is no evidence of a class of capitalist manufacturers 'till towards the middle of the fifteenth century.[2] For the new clothiers were not primarily concerned with one branch of the manufacture, they were not artisans who bought cloth in an unfinished state, or dealers who bought it finished, they arranged for every stage of the manufacture; and, though

[1] Cf. Toynbee, *Industrial Revolution*, 65.

[2] This is probably true for France and Germany also. Schmoller (Tucher-u-Weberzunft 411), refers to the regulations of 1308, at Amiens, as showing the dependence as early as that date, of spinners, weavers, dyers and fullers upon drapers. But the drapers or clothiers are not mentioned in that document, in which, indeed, there is nothing to show that such a class then existed.

the actual amount of capital which many of them could command must have been small, they certainly occupied the position of capitalists in relation to the artisans, whom they employed in large numbers, and to whom they gave work as they chose.

The altered conditions are clearly enough indicated in the statutes passed to deal with certain evils, on the part of the clothiers a cheating method of payment in commodities, and the fraudulent reckoning of material, on the part of the employed the embezzlement of material. The act of 4 Edward IV. runs thus:

"Whereas, before this time in the occupations of cloth-making, the laborers have been driven to take a great part of their wages in pins, girdles and other unprofitable wares.....and also have delivered to them wools to be wrought at very excessive weight, whereby both men and women have been discouraged of such labor, therefore it is ordained.....that every man and woman, being clothmakers, shall pay to the carders, carderesses, spinsters and all other laborers in any part of the said trade, lawful money for all their lawful wages.....and shall also deliver wools to be wrought according to the due weight thereof. Also it is ordained, that every carder, carderess, spinster, weaver, fuller, shearman and dyer, shall do his work duly in his occupation, on pain of yielding to the party aggrieved double damages."[1]

A contemporary poem describes the same evils:

"An ordynaunce wolde be maad for the poore peraylle,
That in thyse dayes have but lyttyll avayle,
That is to sey for spynners, carders, weavers also
Ffor tonkers, dyers, and shermyn there.

"For in thyse dayes ther is a hewsaunce
That pullyth the poore peyylle to grett hyndraunce
By a strange mene that is late in londe
Began and used, as y undyrstonde.

---

[1] *Statutes* ii. 405. Half a century later the prohibition of truck was renewed by 2 Hy. VIII. c. 6. *Statutes*, iii. 28 which mention all the stages of manufacture. "Every clothier or other person who shall put or deliver to any person any wool to break, kemble, card or spin, or yarn to the weavers to weave, or webbe to the fullers to full, walke or thikke," etc.

"By merchaundes and clothmakers, for Godys sake take kepe,
The wyche makythe the poreylle to morne and weep,
Lytell thei take for thyre labur, yet halff is merchaundyse;
Alas! for rewthe, yt ys gret pytè."[1]

Hall's account of the popular discontent in 1525 and 1528 proves that in the districts in which the clothmaking industry was then chiefly carried on, the southern and eastern countries, the craftsmen were universally dependent on the clothiers. Heavy taxation and the cessation of foreign trade is represented as causing the clothiers to "put from work" great bodies of men and women, who are left without means of subsistence, and whose only resource is rebellion.[2] It was in vain that Wolsey endeavored to bully the drapers into buying from the clothiers stocks of cloth of which they knew they could not dispose.[3] Substantially the same relations existed, it is clear, between employers and employed as appear at the end of last century in the eastern and western counties—what the report of 1806 calls "the system of the master-clothier of the west of England."

Now there can be little doubt that the impulse towards this extension of a freer industry into the country was given primarily by the new mercantile capital which successful trade had created. This is indicated among other evidence by the mention of "merchants" by the versifier quoted above, by the frequent complaints against foreign merchants,[4] and by the charge against the Merchant Adventurers, that they had "caused foul cloths to be made in

[1] Wright, *Political Poems*, Rolls.' Series, ii. 285.
[2] *Union of Lancaster and York*, (ed. 1809), 699-700.
[3] Ib. 745. Cf. Brewer, *Henry VIII.*, 261.
[4] E. g., against the merchants of Italy 1 Ric. III., c. 9 *Statutes* ii. 489.

England for low prices, to truck and barter them for merchandises in other countries."[1] But when once the movement had begun it would be followed by all who saw their opportunity, by woolstaplers, by drapers, by landed proprietors, by energetic artisans from the towns. The requisite labor would readily be found in the unemployed of the agricultural districts, and the necessary technical skill could be acquired from the journeymen whom the jealous restriction of guild privileges by the master-artisans had driven from the towns.

Limitations of space prevent the present sketch of the history of the woollen industry from being carried farther. Otherwise it would have been interesting to trace the regulations of the Tudors as to the quality of cloth and as to apprenticeship, and to consider how far these were dictated by the jealous endeavors of the town craftsmen to hinder the growth of the industry in the country, and how far they were guided by a wise policy on the part of the government which aimed at maintaining a certain standard of work.[2] For the social history of the sixteenth and seventeenth centuries much still remains to be done. The introduction of the "new draperies" with the second immigration of weavers from the low countries under Elizabeth,[3] with which began what has been called the "Norwich period" of the cloth industry,[4] has still to be investigated in detail; so has also the growth of the industry in the western counties

[1] Armstrong's *Sermon* in Pauli *Drei Volksw. Denkschr.* 65.

[2] See for one view Held, Zwei Bücher 27; for another Schanz, 607 seq.

[3] The old distich ran, "Hops, Reformation, *Bays* and Beer, came into England all in a year."

[4] Seeley, *Expansion of England*, 85.

and in Yorkshire.[1] Towards the history of the eighteenth century more has been accomplished, but the interest increases as we come nearer to our own time, and the various elements in the economic development have never yet been shewn in their relation to one another. The appearance towards the end of the seventeenth century of a new class of factors and great merchants ;[2] the abandonment under mercantile pressure of the policy of preserving the quality of cloth ;[3] the growth of credit ;[4] the struggle between the woollen and cotton interests ;[5]—all these preparing the way for the factory and machine industry of to-day—are of the most vital importance for the social history of England. But for the present we must be content with having traced the earlier stages of the long evolution.

---

[1] The act of 25 Henry VIII., aimed at preventing the making of cloth for sale in Worcestershire outside the towns; and Yorkshire with Northumberland and Cumberland was excepted from two and three Php. and Mary c. 11, limiting the number of looms and apprentices of weavers.

[2] A tract *England's Improvements* (1677) quoted by Smith, Memoirs of Wool, i., 318, says: "The Factors, Drawers and Packers are now turned merchants, and the trade is ruined by them. Formerly it was you Clothiers and we Drapers, and now it is another thing."

[3] Sir Josiah Child, *Trade and Interest of Money Considered* (1693) 131: "All our laws that oblige our people to the making of strong, substantial and loyal cloth, of a certain length, breadth and weight, if they were duly put in execution, would in my opinion, do more hurt than good; because the humors and fashions of the world change * * * * If we intend to have the trade of the world, we must imitate the Dutch, who make the worst as well as the best of all manufacturers. * * * * Stretching of cloth, by tentors, though it be sometimes prejudicial to the cloth is yet absolutely necessary to the trade of England."

[4] For illustrations of the use of credit, see Defoe, *Complete English Tradesman*, 352, 356, 358.

[5] Held. 505 seq.

THE EARLY HISTORY

OF THE

ENGLISH WOOLLEN INDUSTRY.

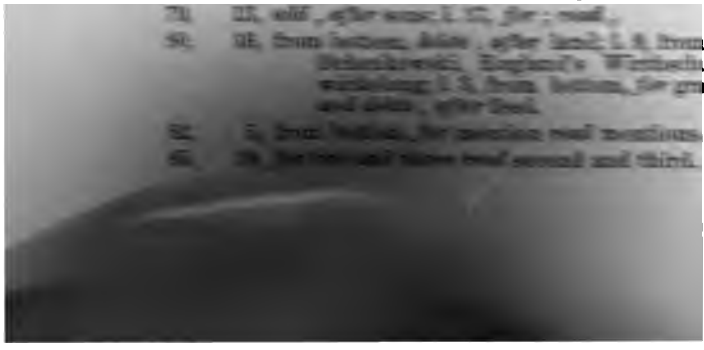
By W. J. ASHLEY, M. A.

MONOGRAPH, VOL. II. NO. 4.

ERRATA.

THE fact that the writer has been unable to revise the proof-sheets has led to a plentiful crop of errata. As some of these alter the sense, it is hoped that the reader will begin with glancing through them and making the necessary corrections.

P. 11, l. 2, *read* "*Some Unsettled Questions.*"
13, 10, *after* thus *delete* ,
14, 3, *for* needs *read* need.
15, 3, from bottom, *after* Tucher *delete* —
16, 9, from bottom, *for* Rolls *read* Roll; l. 1, from bottom, *for* Witrthschaftliche *read* Wirthschaftliche, *for* ausgange *read* Ausgange.
19, 19, *for* latter *read* later.
6, from bottom, *for* quad *read* quod; l. 3, from bottom, *for* Maddox *read* Madox; l. 2, from bottom, *delete* ( ) *before and after* Gilda Mercatoria.
21, 18, *insert marks of quotation before* no one, *and also in* l. 20, *after* hommes *and before and after* of the town; ll. 27 and 33, *for* Beverly *read* Beverley; l. 29, *for* House *read* Hanse;
22, bottom, *for* Stallaguim: Prætatio *read* Stallagium: Præstatio.
23, 4, *for* eariler *read* earlier.
3, from bottom, *for* tinetos *read* tinctos.
25, 7, from bottom, *for* Guilda *read* Gilda.
26, bottom, *for* Custumaram *read* Custumarum.
27, 3, from bottom, *for* chescum *read* chescun.
28, 14, *delete* , *after* instance; l. 23, *read* ; *for* , *after* tailors; l. 31, *for* telarie *read* telarii.
29, 14, from bottom, *for* Oe *read* Qe; l. 5, from bottom, *for* Telarie *read* Telarii.
30, 12, from bottom, *for* magistre *read* magistri.
31, 1, *for* the evidence *read* other evidence.
32, 21, *for* or *read* nor; bottom, *for* Maddox *read* Madox.
33, 14, *delete* , *after* existed; l. 19, *for* connot *read* cannot; last line but one *delete* 2, *and for* 16 *read* Ib.
34, 16, *after* safely *insert* and; l. 19, *for* follow *read* fall; l. 29, *for* us *read* no.
38, 15, *for* low countries *read* Low Countries; last line but one, *for* Dodge *read* Lodge; last line, *for* Astevelde *read* Artevelde.



TWO CHAPTERS

ON THE

MEDIÆVAL GUILDS

OF

ENGLAND.

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. NO. 5. | SIX NUMBERS A YEAR. PRICE $4.00 A YEAR.

TWO CHAPTERS

ON THE

Mediæval Guilds of England.

BY

EDWIN R. A. SELIGMAN, PH. D.

ADJ. PROFESSOR OF POLITICAL ECONOMY,

SCHOOL OF POLITICAL SCIENCE,

COLUMBIA COLLEGE.

AMERICAN ECONOMIC ASSOCIATION.

NOVEMBER, 1887.

COPYRIGHT, 1887, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1887.

TABLE OF CONTENTS.

PAGE.

INTRODUCTION—The Anglo-Saxon Guilds 9

I. THE GUILDS-MERCHANT:

§ 1. Origin and Function 21
§ 2. The Guilds and the Towns 33
§ 3. The Later Fortunes 44

II. THE CRAFT GUILDS:

§ 1. Origin and Development 50
§ 2. Constitution and Function 67
§ 3. Industrial Relations 86

APPENDIX—On the Etymology of Guild 103

LIST OF AUTHORITIES 107

PREFACE.

This essay was originally written in 1882-3 as a doctor's dissertation in the School of Political Science, Columbia College. It is here reprinted in its original form, with a few additions and alterations, mainly of a verbal nature. This explains the lack of all reference to publications of the past four years. The monograph is only a condensed fragment of a much larger work, already partly in manuscript, which is to treat of the social history of England to the present time. The press of other occupations has compelled me to lay it aside for several years, but at some future day I trust to continue my investigations in England itself, and to complete the task that has been marked out.

In the original essay much assistance was derived from two German works. In the chapter on the craft-guilds attention should be called to Ochenchowski's essay on "England's Wirthschaftliche Entwickelung" (1879), with many of whose conclusions this essay is in harmony. As to the merchant-guild, especial acknowledgment is due to the scholarly thesis of Dr. Gross, "Gilda Mercatoria" (1883), which treats the subject far more elaborately than has been attempted in this monograph. Although the chapter had been practically completed before the appearance of Dr. Gross's thesis, he was nevertheless the first in the field, and deserves all the credit for setting the subject in its proper light. As we differ, however, in a few points I have thought it permissible to publish the chapter.

COLUMBIA COLLEGE, NEW YORK,
November, 1887.

INTRODUCTION.

The Anglo-Saxon Guilds.

The early guilds had no connection with trade or industry, but were voluntary associations formed for a variety of purposes—political, social and religious. Endeavors have been made to trace their origin to the pagan customs of the primitive Teutons at the sacrificial banquets and funeral festivities, which often degenerated into the wildest orgies, ending in violence and murder.[1] But this is clearly inadequate. The common banquets were not peculiar to the Scandinavians, but on the contrary were an institution of the most wide-spread character. They occur in the early history of every nation from the Asiatic joint families to the Roman *collegia*, Russian villages and Irish septs.[2] Still more unsatisfactory is the statement, elaborated by Brentano into an ingenious theory, that these drinking bouts contained in germ the essence of all guilds. Occasional survivals of the practice are still found to-day on the islands of the Baltic, and it would require a peculiarly lively imagination to connect these casual festivals with the mediæval unions. There is absolutely no evidence that any of the Anglo-Saxon guilds were founded on such a basis,[3] nor is there

[1] Wilda, cap. 1; Lappenberg, II-350.—The foot notes in this essay contain only abbreviated references. For full titles see the list of Authorities printed at the end of the monograph.

[2] Maine, *Early Hist.*, 79; *Village Comm.* ch. 4.

[3] *Ordinances*, xvi. (Note of Smith.)

any more reason to assert a similar origin for those of the continent. In fact, the attempt to discover any one particular source is idle. Combined efforts of individuals have always existed to supplement the defects of government and to afford mutual protection in case of need. Indeed the social instinct of man, the impulse to work or worship in common, has shown itself in all nations and at all times. The names of these associations naturally varied with the different countries, and the ends they sought to attain bore a fixed relation to the changing needs of the society in which they existed. But the idea that all guilds are derived from one fountain head is plainly erroneous, and this vain attempt to discover the impossible explains the one-sided, divergent views of so many historians.[1]

The earliest Anglo-Saxon guilds are of three kinds — religious or ecclesiastic, social, and protective guilds. The introduction of Christianity gave a strong impulse to the rapid formation of abbeys, and from the sixth century on the associations of priests occur in increasing numbers. These meetings of the clergy gradually received the name of guilds or guildships from the fact of each member being held to contribute a fixed sum. For the word guild originally denoted a common payment. In the time of Edgar the gyldscipes of the priests are mentioned as an insti-

[1]Sybel, 19, finds their origin in the tribal constitution; Maine, *Early Hist.*, 232, in the primitive brotherhoods of co-villagers; Winzer, in the Scandinavian confederacies for plunder; Sullivan, I–ccvi., in the Irish grazing partnerships; Wilda, ch. 1, in the sacrificial feast and Christian church; Hartwig, in the early communions; Brentano, in the family; Coote, *Romans*, 383, Pearson, 274, Wright, 425 in the Roman *Collegia*. Cf. Thierry, 311, Marquardsen, 43; Kemble, *Saxons*, I–239; Gierke, I–222.

tution of frequent occurrence,[1] and we possess the statutes of several combinations from the charters of a slightly later date. The guild at Woodbury was founded by Bishop Osborn, and other guilds at Evesham, Chertsey, Bath, Pershore, Wynchcombe, Gloucester and Worcester were united by Wulfatan into a still larger association.[2] Contributions to the common treasury, masses for the living, and funeral rites for the deceased brethren, observance of a mutual charity, and the bathing, feeding and clothing of one hundred poor men, are among the obligations of the members, who promise to conduct themselves as righteously as possible, and be of "one heart and of one soul."[3] These guilds of the clergy, existing in every populous district and thoroughly imbued with the teachings of the early church, were probably identical with the later guilds of Kalenders, for in one case at least—that of Bristol in the fourteenth century—the fraternity may be traced to a so-called college of presbyters of the year 700.[4]

A like spirit actuated the laymen in their social guilds, although the influence of religious conviction was soon overshadowed by the secular aims. The ordinances of the Abbotsbury, Exeter and Cambridge unions, which are still preserved, afford a clear insight

---

[1] § 9 Thorpe, *Anc. Laws*, II-247. Cf. "urum gegyldscipum" in *Judicia Civitatis Lond.* 8.§ 6, which shows that societies and not districts are meant.

[2] Printed in Hickes, 18—20; Woodbury in Thorpe, *Dip. Ang.* 608. Brentano and Stubbs ignore them.

[3] "Quasi cor unum et anima una."

[4] Lingard, 246; Corry, II-64; *Ord.* 287.

into their constitution.[1] The members give yearly donations of money or wax to preserve the candles at the religious services, bring malt, honey, wheat, wood and corn as well as bread to be distributed in alms. Stated assemblies, common banquets, care for the sick and the dead, prayers and masses, penalties for "misgreeting" the brethren or neglecting to pay the dues, provisions for assistance in misfortune. and the formation of a fire insurance fund, are among the features. The Thane's guild at Cambridge contains the further principle that the society is responsible in case a member slay a man, unless the act be committed "with folly and deceit," in which case the culprit alone is answerable. On the other hand the murderer of a guild-brother must pay the society eight pounds, in default of which the whole guildship takes vengeance into its hands; but if any associate kill a co-member, he must not only pay the *wergild* to the victim's family, but also suffer a heavy fine or be expelled from the association. The influence of the religious idea is manifest in the preambles, all of which state that the union was founded, or held its assemblies, for the love of God and their soul's need, both as regards the present and the future life. The principle of mutual responsibility again is seen in the words "Let all bear it if one misdo, let all bear alike."

In addition to these unions we meet with traces of slightly different societies in which the idea of protection comes to the foreground—the so-called frith

[1] Printed in Thorpe, *Dip. Ang.*, 605–617; Hickes, 21; Kemble, *Cod. Dipl.*, No. 492. Translated in Kemble, *Saxons*, I–511; Eden, I–591. Cf. Turner, III–98; Thierry, App.; Stubbs, *Hist.*, I–412; Hartwig, 136. They date from the eleventh century.

guilds. They are first mentioned in the laws of Ine, or at least the word *gegilda* is used both here and in the laws of Alfred.[1] Provision is made for the liability of members in case a thief be slain, and for the division of the *wergild* among the relatives and guildsmen;—if the member slay a man and have no paternal relatives, his maternal relatives and guild-brothers share the penalty with him, or if there be no relatives he pays one-half, the guild-brethren one-half. On the other hand the guild receives half the *wergild* if the murdered man be a member, the other half going to the king if there be no surviving relatives. Nothing further is told us of these guilds, but the provisions often recur in the later ordinances as long as mutual defense remained one of the objects, and thus afford a strong presumption of their being true guilds.[2]

A few decades later we find under Æthelstan the statutes of a fully developed frith-guild in the *Judi-*

[1] Ine 16, 21, 23, Alfred 27, 28 in Thorpe, *Anc. Laws*, I-113–117, 78–81. Ch. 21 refers to the "far coming man, or stranger," but ch. 16 is in general terms. Waitz, I-464; Brentano, lxxiv.; Stubbs, *Hist.*, I-89, hence err in restricting these guilds to strangers. Thorpe, *Glossary*, asserts that the Gebeorscipes were guilds, but incorrectly, for the word simply means a feast, and in Ine 6, Thorpe himself so translates it. Cf. *Leges Henrici Primi*, c. 87 § 9, 10; Schmid, *Gesetze*, 587. As to the *convivia* of Tacitus see Waitz, I-90.

[2] The exact meaning of Gegildan is still disputed. Kemble, *Sax.*, I-239, 260; Hartwig, I-151; Schmid, 588, translate it "those who mutually pay for one another," but do not explain it; Wilda, *Strafr.*, 389, "a wider family union;" Maurer, *Krit. Ueberschau*, I-92. "travelling companions;" Marquardsen, 29, "robber-bands;" Stubbs, *Hist.*, I-89, "associates of strangers," but he doubts his own conclusions, I-414. Phillipps, 99, 104 says they are the later frankpledge. Waitz I-462 reviews the subject and defends the view adopted in the text. Cf. Palgrave, I-196; Gierke, I-224; Cox, 135; Salvioni, 9; and general discussion in Gross, 91.

cia Civitatis Londoniæ.[1] This was no union of smaller guilds, as has been asserted, but a combination of associations of one hundred men, subdivided into smaller groups of ten, subject to common rules, but otherwise independent of each other. The duties consisted in mutual protection of property and the pursuit of thieves, for whose destruction a reward was offered. The members each gave a shilling to defray the expenses of the search, and were pledged to go to the adjacent riding in pursuit, while compensation was made for losses or injuries incurred. Mutual assistance, masses and fine bread for the souls of the dead, and charity were commanded. But, curiously enough, only the eleven (the heads of the smaller groups) and the *hyndenmen*,[2] and not all the members, enjoyed the repast, although all assembled to discuss the guild concerns. All the members were declared to be in one friendship as in one foeship.[3] Some have thought that we have not to deal with any voluntary union here, because the preamble states that the statutes were ordained by the bishops and reeves of London, and confirmed by the pledges of the *frith-gegildas* or guild-brethren. But this only proves that the guild was expressly authorized by the governmental officers, probably because of their inability to execute the laws and provide a suf-

[1]Printed in Thorpe, *Anc. Laws*, I-229, II-496; Wilkins, 65. Translated in Kemble, *Sax.*, II-521, and partly in Stubbs, *Charters*, 6.

[2]The head of the 100. The contrary opinion of Thorpe, *Glossary*, is disproved by Kemble, I-243; Waitz, I-466; Marquardsen, 39. As to the eleven, see Kemble, I-242, note 2.

[3]"Swa on ánum freondscype, swa on ánum feondscipe." *Judicia Civ.* ch. 7.

ficient police. Similar provisions appear in all the later guilds in so far as the semi-religious and charitable regulations are concerned. We are thus warranted in declaring it a true guild, but one in which the object was primarily to preserve the peace rather than to promote good fellowship and cultivate the fraternal sentiment.[1]

Traces of other guilds are also found. One is said to have existed in Winchester in 856, and although nothing is told about its nature, it was probably the same as the Cnighten-guild mentioned in Domesday.[2] We hear of several other Cnighten-guilds at Canterbury, London, and Nottingham.[3] What these Cnighten or Knights were is not certain. The word originally denoted a servant, and although sometimes employed in the sense of child or young man it frequently occurs in the sense of a subordinate member of a nobleman's retinue. It is apparently used in this sense in the guild statutes of Exeter and Cambridge, where the cnight contributes less honey than the full member, and where his lord is responsible if he draw a weapon or wound another. Their rank and importance, however, increased until at the Conquest they became the equals of the thanes

---

[1] Cf. Palgrave, I-633; Norton, 24; Thorpe, *Dip. Ang.*, xvii; Walford, II-283; Gross, 13; Green, *Conquest*, 422.

[2] Milner, I-92; *Domesday*, IV-531, fol. 1, 3: "Chenictehalla ubi chenictes potabant gildam suam."

[3] "Ego Æthelstan and ingan burhwara, ego Æthelhelm and cniahta gealdan." Kemble, *Cod. Dip.*, No. 293, attesting a charter in Canterbury. For Nottingham, Domesday I-280, Domus Equitum—house of the Knights. Cf. Freeman IV-199, Green, *Conquest*, 442; Ducange s. v. A Gihalla also occurs in Dover; *Domesday*, I-1.

or nobles.[1] The Anglische Knighten Guild of London was founded under Edgar, and a fabulous account of its origin is given, the king granting thirteen well-beloved knights what was afterwards known as the Portsoken ward on condition of their victoriously "accomplishing three combates, one above ground, one under ground, and one in the water." In 1115 the Knytte-gilda conveyed its lands to the Trinity Priory and disappears from history.[2] In 996 three guilds are mentioned at Canterbury, one of these probably the Knighten-guild, the other perhaps the religious guild of Domesday, and the chapmanne guild of the time of Anselm.[3] Some have endeavored to connect the Cnighten-guild with the later guild-merchant, but this is negatived by the fact of their concurrent existence at Nottingham.[4] It is of course true that membership in the one did

not preclude membership in the other,[1] and it is even probable that the knights occasionally displayed an interest in trade. But this by no means proves that the Knighten-guilds were the precursors of the merchant-guilds. In all probability the Knighten-guilds were mere associations formed among the younger nobles with the same aims as the other social fraternities.

The formation of the guilds was no doubt fostered by the necessities of social existence—for the family bond, of transcendent importance in early Teutonic life, began to decay with the advance of civilization. Traces still remain in the Anglo-Saxon law—the "maegth" still contribute the wergeld, support the family of the deceased and act as compurgators for each other.[2] But the relations are soon disrupted, and the continued impotence of the government, together with the incursions of the Danes, imperilled the isolated existence of the freemen and doubtless transmitted a huge impulse to the development of the voluntary unions. We must not, however, suppose that the guilds had their origin in the family. The family theory cannot explain the predominance of the religious and charitable features, and becomes absurd when applied to the ecclesiastical guilds. One might as well derive all modern institutions from the family, for, of course, if the family bond had continued to subsist, the present arrangements would be unnecessary. The dissolution of the bond

[1] At Canterbury we read of "cnihtan on Cantwareberig of cepmanne gilde." Somner, 179 .Even here cniht seems to mean simply a member.

[2] Ine, 73–76; Hlothhaere and Ead., 6; *Laws of the Northumbrian Priests*, 51; in Thorpe, *Anc. Laws*.

of kinsmen furthered, but certainly did not produce the early guilds. The guilds, moreover, did not have their birthplace in England, as has been confidently asserted.[1] Sworn unions are mentioned as a widespread institution in the capitulary of 779, and in fact the Council at Nantes speaks of the guilds already in 658, while the earliest unambiguous English guilds date only from the eighth and ninth centuries.[2] They were probably introduced from the continent, where the religious unions and brotherhoods of priests were as common as in England, being continually rebuked by the synods for their extravagant feasts and occasional contraventions of ecclesiastical law.[3] The character of the early guilds is shown by the repeated allusions in the church councils, and there can be no doubt of the importance of the religious element.[4]

A variety of causes thus contributed to the origin of European guilds, whose significant feature was a fraternal feeling of mutual interdependence and close affection. The idea of association was by no means novel, but it so happened that the disintegration of the tribal communities kept pace with the dissemination of a higher morality through the church. To derive the guild from the family is fanciful and when applied to the ecclesiastical unions meaning-

[1] By Brentano, lvii., who here as elsewhere follows Wilda, 244.

[2] Cap. of 779 in *Monum. Germ. Hist. I. Legum* c. xvi, p. 37; —the *Council of Nantes* in Labbé, X–472. Some put it in the year 800.

[3] Hartwig, 158; Thierry, 412; Wilda, 63.

[4] Of the members it is said: "in omni obsequio religionis conjunguntur, videlicet in oblatione, in luminaribus, oblationibus mutuis, in exequiis defunctorum, in eleemosynis et ceteris pietatis officiis." Labbé, VIII–572

less. The frith-guilds originated in the virile spirit of resistance to oppression, the social guilds in the feeling of conviviality and reciprocal aid, the religious guilds in the desire to secure the blessings of a future life; but the idea by which all were penetrated was the partial realization of the doctrine of universal brotherhood which the early church so zealously strove to diffuse. The guilds-merchant and craft-guilds, which alone will be discussed in the following chapters, were of a later date and had a radically different origin.[1]

[1] For an excellent account of the social guilds, see Lucy Smith's introduction to *Ordinances*.

I

THE GUILDS-MERCHANT.

§ 1.

Origin and Function.

Trade and commerce never attained a great development in early Britain, for the absence of legal protection and the few wants of a primitive community were hostile to any complicated system of exchange. Under the Romans the products of the tin mines and corn lands were much in demand.[1] But the slight prosperity then enjoyed by the native states soon ceased at the time of the Saxon invasions, when the artificial trammels of legislation added to the natural checks of violence and disorder effectually hampered all intercourse. No sales could be made without witnesses, under penalty of forfeiture, owing partly to the lack of general weights and measures, partly to the danger of buying stolen goods, which made strict formalities necessary.[2] The vocation of the chapmen or traders was attended with difficulties, and the foreign merchant is rarely mentioned.[3] So undeveloped was the connection with the mainland that the government promoted all merchants, successful in three voyages, to the nobility.[4] But Saxon

[1] Elton, 35, 38, 305.

[2] Æthelstan, c. 10, *Hloth and Eadric*; c. 16, in Thorpe, I-35, 205.

[3] Massere, who crossed the seas, opposed to Ciepemon, or inland trader. For the latter, see Thorpe, I-33, 83, 119. The word survived in Chepyng-gyld and Cheapside; Green, *Conq.*, 438.

[4] Ranks, 6; Ethelred, II-2; in Thorpe, *Anc. Laws*, I-193, 285.

England was essentially agricultural, and even in London no merchant guild existed. At the time of the Conquest, however, an improvement set in. Good roads, well-built bridges, and freedom from outlaws, succeeded the dangerous highways and former insecurity. The Danes transmitted a great impulse to the growth of the seaport towns, and the Normans kept up an active intercourse with their continental kinsfolk. The growing importance of the lithsmen or shippers is shown by their coöperating with the thanes and witan in electing Harold as king.[1]

About this time, then, the guilds-merchant began. The first mention occurs in Domesday, as we have seen, both knighten-guild and guild-merchant existing at Nottingham. Lincoln is said to have possessed one during the Danish supremacy, and the Ceapmanne guild at Canterbury exchanged lands, as we saw, toward the close of the eleventh century.[2] Soon the guilds occur in the town charters, and before long there was scarcely an important borough in the kingdom without its guild merchant.[3] A remarkable exception, however, appears to have been London, although it possessed the usual privileges accorded to traders.[4]

---

[1] *Anglo-Saxon Chronicle*, II-129.

[2] Green, *Conq.*, 432; Somner, I-179.

[3] Gross, 37 gives a list of over ninety towns, which does not pretend to be complete.

[4] Wilda, 248, and Brentano, err here. Stubbs I-405, 418, 419, expresses himself doubtfully; but the term is never used in the London charters. Norton, 34: "There is no trace of London ever having been a general mercantile guild." The "fraternite and gilde merchant" in *Rot. parl.* II-279, was a simple craft guild of grocers.

The origin and character of the association have been so strangely misconceived[1] that it will be desirable to present examples from the early charters. The application for the privilege of forming the guild[2] was made to the monarch, whose consent was imperatively necessary, even though the great manor lords sometimes undertook to grant the privilege to the towns in their domains.[3] We find the grant almost exclusively in the town charters to the effect that the burgesses should have their guild-merchant with its usual customs and privileges, or that they should have all their reasonable guilds like those of a neighboring town, or even simply that they should have their *Hanshus* or guild-hall.[4] The documents themselves are so explicit as to the advantages and object of the union that it is remarkable how any serious misconception could have arisen. In almost

[1]Especially by Brentano. Gross was the first to clear up the confusions.

[2]Known as gilda mercatoria; gilda mercatorum, Milner II-300; gilda mercaria. *Rot. Chart*, 40; gilda mercanda, *Reg. Malmesb.*, I-446; gille mercatura, *Hist. Doc.* 82; gilde Markande, *Arch. Jour.* IX-79; chepynggyld, Coates, 51; gilde de marchaunt, *Stat.* 37 *Ed.* III, c 5; guild mercatory; and mercantile guild.

[3]So to Leicester, Thompson, *Mun. Hist.*, 38; Beverly, *Foedera*, I-10; Petersfield, *Mer. and St.* 308; Lostwithiel, Brady, 45. As to the king's authorization see Stubbs, *Charters*, 109.

[4]"Sciatis nos concessisse . . gildam suam mercatoriam cum omnibus libertatibus et consuetudinibus suis," *Lib. Cust.*, 672, to Oxford; "gildam mercatoriam cum hansa et aliis consuetudinibus et libertatibus ad illam gildam pertinentibus," Madox, *Firma B.*, 272, to Worcester; "g. m. cum omnibus rebus suis," Woodward I-271, to Winchester; "omnes racionabiles gildas suas," *Hist. Doc.* 53. *City Charters*, 53; Corry, 201; to Dublin and Bristol. "Quod habeant suam hanshus," *Foedera*, I-10; Stubbs, *Chart.*, 110. "Gildam mercatorum cum omnibus libertatibus et consuetudinibus," *Rot. Chart.*, 38; and Stubbs, *Charters*, 309.

every case it is stated that no one should carry on any trade in the city or suburbs, unless he were a member of the guild, the provision recurring with an endless variety of expression, such as that no one shall buy or sell any merchandise, sell any merchandise at retail or carry on any traffic.[1] The members could, of course, waive this prohibition, but it is evident that the permission was rarely granted, for the guild would thereby defeat the very reason of its existence. The ordinances of the guilds themselves, moreover, insist upon excluding non-members from trading. An exception was made only in the articles of food which every one was allowed to purchase, while, of course, on market day or in fair time all restrictions were relaxed.[2] Occasionally the authorities interdicted retail traffic in those particular articles only which happened to form an important factor of the town commerce.[3]

[1] "Ita quod aliquis qui non sit de gildhalla aliquam mercaturam non faciet," Stubbs, *Charters*, 167; "quod nullus qui non sit in gilda illa mercandisam aliquam in praedicto civitate vel in suburbio faciet nisi de voluntate eorundem civium," Madox, *F. B.*, 272; Cf. "mercandisare," "mercandisas suas ad retalliam vendere," etc., in *Plac. de quo Warranto*, 18; *Lib. Cust.*, 672; Merew. and St., 473, 523; *Rot. Chart.*, passim; Harland, I-198.

[2] "Nul ne deit rien achater a revendre en la vile meyme fors il seit gildeyn," *Southamp. Ord.* § 19; ". . . yl ne deit achater ne vendre en cel ou en vile fors que sa vitayle," ib. § 25. In Marlborough the fullers who were neither citizens nor guild members could buy provisions up to 3*d.* free. *Liber Custumarum*, 130. In Scotland "a stallangers may no tyme lott nor cavell.....but in ye time of a faire, for yan is lawfull to ilk man to lott and cavell...." *Regiam Majest.*, chap. 47. Cf. Warden, 69.

[3] In Chichester: "Nullus in civitate vendat pannos per detaillum nisi sit de gilda mercatoria." Hay, 578. "Nul ne deit achater miel ne seym ne seil de araunk, etc., fors le gildein. Ne taverne tener de vin ne vendre dras a detail for au jour de marchee ou de feire . . si yl ne seit gildein." *South. Ord.* § 20.

But in the majority of cases the prohibition was quite general. In London where the citizens enjoyed the same privileges as guild-members elsewhere all non-freemen were forbidden to sell at retail,. The same distinction appears subsequently in the general law that all aliens shall carry on only a wholesale trade.[1]

One distinguishing feature of the guild-merchant was thus the monopoly of internal trade. This was doubtless the *raison d'être* of the union. But not less important was the exemption from all manner of petty imposts and vexatious taxes. The inhabitants of mediæval England could scarcely stir without being subjected to some exaction. In addition to the feudal aids, royal taxes and *trinoda necessitas*,[2] there were duties on imports and taxes on passengers, customs on a ship's lading and charges for its landing, tolls on the bridges, on all internal navigation and on wagons, whether on the road or in the forest, payments for maintaining the walls, for breaking turf for the market booths and for putting up the stalls themselves, customs paid on measuring and sealing cloths,[3] and finally innumerable forced contributions as hush-money for imag-

[1]Quod mercatores qui non sunt de libertate....vina seu alia mercimonia,....ad retalliam non vendant. *Lib. Cust.* 441. Cf. 2 Rich. II; 1 Rich. III c. 9, "aliens, artificers shall sell their wares in gross and not by retail;" see *Lib. Albus* I-xcv, where under Ed. I a city regulation forbade the "strange merchants" to sell less than a certain quantity of different articles at a time.

[2]Fyrd, brigbote, burhbote.

[3]The Latin names are in the above order: theloneum, passagium, lestagium, groundagium (groundage), pontagium, ewagium, carriagium, chiminagium, muragium (murrage), pycagium, stallagium, alnagium, (aulnage.)

inary offenses.[1] It was essential for the merchant traveling from town to town, or even trading within the burgh, to be freed from these burdens, and we find accordingly immunities of this kind in almost every case. Thus in Bristol the members of the guild-merchant buy and sell freely and quietly from all tolls and customs; in Newcastle-under-Lyne they buy and sell and traffic well and in peace freely, quietly and honorably, and are quit from tolls, passage, pontage, stallage, lastage, alnage and all other customs.[2]

The exemption from these charges constitutes the second great feature of the society, and at the same time proves how unavailing would be the grant of a territorial lord without the confirmation of the king. For the king alone could confer any right of unimpeded traffic throughout the whole realm.

Another privilege that is often mentioned is the *hansa*.[3] What this was is not very clear. The magnificence of the Hanseatic league and its branches in mediæval England are well known, and the Steelyard of the hanse-merchants or Easterlings, who were already protected by Æthelstan, became a re-

[1] Scotteshale and gieresgive. *Foedera*, I–52; Stubbs, *Charters*, gloss.; *Lib. Cust.*, 760.

[2] *Red Book of Bristol* 30, in Barret, 179; Thompson, 94. Cf. "Quieti de omni thelonio, passagio et consuetudine, Milner, II-300; "Quieti a theloneo etc. per terram, per aquam, per ripam maris, 'by lande and by strande,'" Stubbs, *Charters*, 168; "Quieti de thelonio et lestagio etc. in feria et extra, et per portus maris omnium terrarum nostrarum, citra mare et ultra." *Foedera*, I–50; also *Hist. Doc.* 2; *Lib. Cust.* 671. Cf also "the libertie of the merchandis gilde" in Dundee: Warden, 67

[3] [illegible] 40, 211, 212, 65 etc.

nowned institution of London.[1] More than once did the jealousy of the citizens of London, Boston, Lynn and other towns against these foreigners break out in riots and tumults, for they attained such a commanding position as even to decide by whom the crown of England should be worn.[2] The advantages of a "hanse" were frequently confirmed to the foreigners temporarily in London, and the word is plainly equivalent to a company of traders.[3] But the term is much older and occurs frequently in the English charters, probably at first having reference to the privileges of merchants when away from home. For the English had their guilds in foreign ports also.[4] Its meaning, however, soon became equivalent to guild, or the rights of a guild, and in this generic signification it is used all through the later documents. The "hanse of the guild" thus became a collective name which included all the usual attributes of a trading corporation.[5]

---

[1] *De Institutis Londoniæ* II in Thorpe, *Laws*, I-300. Steelyard or steelhof, a contraction of Stafel—or Stapelhof (Eng. staple) denoted the market for imports. It has no connection with "steel." Cf. "Mercatores alemann'qui habent domum in civitate London, qui gildhalla Theutonicorum nuncupatur," *Rot. Orig.* II, no. 35.—See Stow, I-520; Anderson, I-299; Lappenberg, *Urk. Gesch.*, and Sartorius.

[2] In the case of Edward IV.; Schanz, I-177.

[3] Sartorius, II-93.—As to the "*Hanse-merchants of Almayne*" see 4 Ed. IV, c. 5; 19 Hen. VII, c. 23; *Rot. Parl.* V-421; VI-65.

[4] "Omnes de gilda mercatoria et Anglica" in Montreuil and Hamburg. Wilda, 265, 267. Cf. *Rott. Litt. Pat.* 248 b.

[5] At Ipswich a knight gives a quarter of wheat to the "hanse of the guild;" another a quarter to the "guild." Mer. and Stephens, 398. This shows the identity. Cf. Madox, *Exch.*, 278; *Firma B.*, 27.—Ansa or Hansa is also used in the sense of a tax. "Quietus de introitu et de tauro et de hansis et omnibus rebus." *Gent. Mag.* vol. 35-262; Thompson, 50; "quictus de ansa et omnibus aliis consuetudi-

Finally the guild members were in general absolved from the necessity of attending the shire moot and hundred court.[1] The exactions of the sheriff, the judicial officer of those days, were so severe that the arbitrament of disputes by the local magistracy were eagerly sought for. But as this jurisdictional freedom was just as frequently granted to the burgesses quite irrespective of their membership in the association,[2] we cannot declare it a distinguishing feature of guild-life. It is hence erroneous to say that the guild-merchant was a "liberty or privilege enabling merchants to hold certain pleas in their own precincts." For although they exercised a certain jurisdiction in purely mercantile disputes,[3] it was always subordinate to that of the regular court leet, and there is no trace of any general civil or criminal jurisdiction. Even where the chosen guild members assisted in settling controversies they solemnly swore to subordinate themselves to the municipal court and uphold the customs of the town. "Hear ye, mayor and brethren of the guild," so runs the oath at Leicester, "that I will loyally render judgment and decide the disputes for the poor equally with the rich, each one according to the measure of the trespass,

---

nibus," *Rot. Chart.* 86.—On the continent this was a common meaning, Charter of St. Omer § 6 in Kemble, *A. Sax.*, II-529; Statutes of the Etaimiers Plombiers § 6 in Ouin-Lacroix, 642.—Cf. Stubbs, *Hist.*, I-411; Anderson, I-132. Gross, 95 attempts no explanation.

[1] "Quieti de schiris, hundredis, et omnibus placitis," *Lib. Cust.* 671; *Rot. Chart.* 2; Mer. and St. 365; *Foedera*, I-50.

[2] *Rot. Chart.*, 45, 83, 93; *Abbrev. Plac.* 186, 351.

[3] At Beverly the guild-merchant "with its pleas and tolls." *Rep. Pub. Rec.*, 431. Drake, app. xxxii, followed by many others, makes the above mistake.

and that I will ever come to the court of the portmote and obey the summons of the mayor when informed by the bailiff, provided I be in town and have no reasonable excuse, and that I will loyally maintain the assize of bread, wine and ale together with the mayor, and will uphold the franchises and good customs of the town to the best of my ability. So help me God and the saints. Amen!"[1]

We may say then that the original documents themselves afford an adequate explanation of the object of the guild-merchant, and that this was in substance a monopoly of retail trade, and an exemption from all petty burdens throughout the kingdom. The attempts to identify it with an imagined protective guild or with the civic community are, as we shall see, entirely misplaced.

The internal organization[2] was similar to that of the social guilds which existed all through the middle ages until virtually abolished by the wanton rapacity of Henry VIII and his son. At the head stood the alderman or master, who probably paid something for his position,[3] and at his side were the wardens or stewards, and occasionally other officers, such as seneschals, ushers, clerks, deans and chaplains.[4] Membership was obtained by heredity, pur-

[1] Le Serment de Jurrez. *Gent. Mag.* vol. 35-262. Cf. *Southampton Ord.* § 44.

[2] Few ordinances are preserved. The chief are those of Southampton, *Arch. Journ.*, XVI-283; Berwick, Houard, II-467, of the 13th cent.; Worcester, *Ord.* 370; Preston, Baines, IV-287, *Com. Hist. Mss.* IV-476, of the 14th and 15th cent. The so-called guild merchant at Coventry, *Ord.* 226, was probably a mere social guild. Cf. Gross, 49.

[3] *Pipe Roll* for Worcester, 5 Stephen; for York, 31 Hen. I, p. 34, where a hunting dog worth 20 sh. is given; Madox, *Exch.*, 273.

[4] *Com. Hist. Mss.* III-304, 344. *Stat. of Berwick*, § 6, also mentions a Ferthingman.

chase or gift, and frequent mention is made of the seats of the associates,[1] which probably referred to their position at the feasts or the arrangement of the booths in fair-time. The alienation of the seats, whether by sale or gift, was forbidden,[2] and while the sons and sometimes the nephews and daughters of members were admitted free of all charges, others were obliged to pay an entrance fee and produce two sureties. In the oath that was administered on initiation, the new member pledged himself to conform to the ordinances, to be subject to the same burthens as his fellows, to inform the officials and inhabitants if he discovered any merchant in town who was not a member, and to obey the command of the mayor as well as to maintain the good usages of the city.[3] Peace and good will between the members were enjoined; provisions of a charitable character,[4] such as alms to the impoverished and visits to the imprisoned, are occasionally found; the morning speeches[5] and periodical banquets were not omitted; and the members were admonished not to forget to drink their guild-merchant, on which festive occasions the officers availed themselves of the opportunity to collect the taxes.[6]

[1] At Totnes one "sits above the seat" of another. *Com. Hist. Mss.* III-343.

[2] "Nul ne deit ne ne puyzt par dreitz seon siege a noul homme vendre ne doner.—*South. Ord.* § 10."

[3] Le Serment de ceux q'entrunt la gylde. *Gent. Mag.* vol. 35-262; Nicholls, II-376.

[4] *South. Ord.* § 4, 6, 7, 11, 22. Berwick, § 5, 6, 9, 11. Coventry in *Ord.* 228, 300.

[5] Morgenspaec or meeting-day (Morgensprache). Also in the social guilds, *Ord.* 54, 71, 83, 279.

[6] "Bevere gilde markande" *Arch. Jour.* IX-73 at Winchester. Cf. "potare gildam suam" in *Domesday*, IV-531.

But these few ordinances of a social nature must not lead us into the error of supposing that they formed the real pith of the institution. On the contrary, they fall into utter insignificance when compared with the large body of provisions of a purely mercantile character, intended to enforce the true object of the union as outlined in the charters. The guilds-merchant was no *summa convivia* as in Denmark, and did not have their origin in any desire to wrest political rights from the feudal superiors, but were founded simply to secure economic privileges. Instead of being imbued with a spirit of universal love, as some authors imagine, they were only too often actuated by a selfish exclusiveness and a desire to enforce their class privileges in a narrow and grasping spirit. Partnerships of any kind with non-members were discredited and severely punished;[1] the brethren could not keep the goods of others even temporarily in their hired premises; and examples of their attempted oppression of outsiders are not lacking.[2] The guild-merchant was at the outset a mere company of traders, but the term merchant, which by no means conveyed the same ideas as at present, included not only those that carried on foreign commerce, but petty traders of all kinds, even artisans.[3] The guild, however, in course of time, lost its character as a purely private society, and became closely

[1] "Nul de la gilde ne deit partenir estre ne communier en nul manere de marchaundises..a nul que [ne] seit de gilde." *South. Ord.* § 21. Cf. note of Smirke in *Arch. Journal*, XVI-286. The ne must be supplied, as Gross shows. Cf. *Stat. of Berwick*, § 21, in Houard, II-467.

[2] At Derby: "Qui quidem usus [recited in detail] cedunt in injuriam oppressionem et depauperacionem populi." *Plac. de quo W.* 160.

[3] *Hist. Doc.* I, 82-88.

connected with the municipal organization, although never identical with it. Certain public duties gradually devolved upon the guild, so that it formed a useful adjunct to the local administration in sanitary and general police regulations.[1]

The guild-merchant in its prime was therefore an organization of strictly defined import. In some cases, doubtless influenced by the example of the social fraternities, its aim was nevertheless totally dissimilar, and it was instituted solely for the purpose of securing exemptions from commercial burdens and enjoying a practical monopoly of municipal trade. It possessed property, enjoyed the privilege of self-government, often formed conventions with the guild of a neighboring town to afford reciprocal rights of free entry and exit,[2] was not without a certain jurisdiction,[3] although always subordinate to the court leet, and often attained sufficient importance to become to a limited extent an integral part of the civic administration. But its function and position cannot be completely understood until its connection with borough life is elucidated and erroneous conjectures of various historians rectified. This we shall attempt in the next paragraph.

---

[1] At Berwick, § 29, 30; Bristol, Barrett, vii; Cf. *South. Ord.* passim.

[2] So Monros and Forbar, *Com. Hist. Mss.* II-206; cf. *Curia quatuor burgorum*, Edinburg, Berwick, Sterling, Roxbury, in Houard, vol. II; *Regiam Majestat.*, 153.

[3] The guild-court in Totnes and Aberdeen. *Com. Hist. Mss.* III-344; I-122.

§ 2.

The Guilds and the Towns.

The origin of the English towns is a question of great complexity. No universally applicable rule of communal evolution can be laid down. Borough life in its infinite variety was clearly not produced by any one set of circumstances. The opinion that the towns were the outgrowth of the Roman municipal system may now be considered definitely discarded, for although a few sites now occupied by thriving cities may have been inhabited by the Romans, their constitution when first met with in Anglo-Saxon history is so different as to preclude all inference of cause and effect.[1] Even in the case of continental cities this view has been abandoned.[2] On the other hand it is as yet premature to accept the village-community theory,[3] for there are still many historical facts which cannot be reconciled to the hypothesis as an all-embracing explanation. Many of the English towns grew up about the abbeys and monasteries[4] and not a few owed their origin to the increasing facilities offered by trade. But whatever be the true explanation, we are justified in making the positive assertion that the towns were not devel-

---

[1]Wright, 360, *Archaeologia*, Vol. 32-298; Coote, 359; Somers Vine, 4; Pearson, I-264, still uphold the theory. But see Stubbs, I-62; Kemble II-297; Freeman V-470, 887.

[2]By Hegel and Hüllmann *v.* Maurer. These authors and Waitz, VII-400; Thierry, I-302, have disproved the old views of Savigny and Eichhorn.

[3]Maurer, I-170; Gomme in *Archæolog.* vol. 46-46; Nasse, 20.

[4]So St. Albans, Reading, Coventry, Durham. *Reg. Malm.* xxxi; *Chron. Joc.* 148.

oped from the guilds, and that the connection has been grossly exaggerated.

According to Brentano,[1] whose views on the subject have been generally adopted, the Anglo-Saxon boroughs were founded on a system of protective guilds, one of which in effect governed the town. The guilds-merchant, about whose real meaning he tells us nothing, was synonymous with the Norman towns, and the craft-guilds of late times, whose origin he discovers in the exclusion of the artisans from the full-burghers guild, everywhere drew the reins of municipal power into their hands, Each of these positions is utterly erroneous, and can be explained only by a confusion of English and German relations.

The opinion that *summa convivia* or governing guilds existed in the Anglo-Saxon period is untenable. The whole theory reduces itself to the single statement that the Thanes' guild at Canterbury was the governing body because the oldest of the three guilds. But nothing is known as to the relative antiquity of the three guilds; secondly, we do not know that any of them was a Thanes' guild, and lastly, in the charter of 956, given above,[2] the guilds appear equally privileged. This conjecture is, hence, not worthy of much confidence. Equally unsuccessful is the argument based on the frith-guild of London. The document says nothing about a union of previously existing guilds into one that embraced all the citizens, and the society initiated for a distinct purpose of mutual help cannot be regarded as the basis

---

[1] *Introd.* Cap. III. First refuted by Gross, cap. 3.

[2] Page 16.

of the town. This assumption is entirely gratuitous, for London existed long before the guild was formed. The union, moreover, is never again heard of, which renders it probable that the guild died away as security increased. The city was governed by the reeve like any other shire,[1] and there is no trace of the guild exerting any influence in the governing body of the city; while there is absolutely no justification for the statement that the frith-guild served as a model for the formation of other town institutions. Hypotheses and conclusions of this kind are not well calculated to substantiate an imaginary theory, which has nevertheless been blindly followed.[2] The identification of the Knighten-guild of London with a ruling corporation, and its development into a municipality, have likewise been regarded as settled facts,[3] but the statement is founded on a pure conjecture of an old historian that the term alderman was "perhaps" transferred to the town from the guild on its dissolution in 1115.[4] This conjecture, however, is anything but probable, for the word alderman was not used to designate the heads of the social guilds in Anglo-Saxon times, but on the contrary denoted the governing officers of the hundreds and shires, and many of the towns were in fact nothing but hundreds.[5] There is, hence, no reason to suppose that the municipal aldermen were the descendants of guild officers.

---

[1]Stubbs I-405, 6.

[2]By Walworth, Howells, Green, *Conquest.*

[3]By Brentano, *Arbeiterg.* 262; Wilda, 244; Hüllman, III-60, 73.

[4]Madox, *Firma Burgi* 30; cf. in general Gross, 72.

[5]Stubbs. *Hist.*, I-94; Palgrave, I-102.

In the Anglo-Saxon epoch, then, so far as we know, guild and town were independent of each other. The evolution of municipalities from frith-guilds may be declared wholly mythical. With reference to the guild-merchant similar mistakes are prevalent. "This trading guild was the very constitution of a burg," says one author; "the guild was not a mere adjunct of the town community, but the formal embodiment of the population into a civic fraternity," says another. "Citizens and guild were identical, and what was guild law became the law of the town," says a third.[1] But these statements are utterly false. It can be shown on the other hand that burgess and guild member were distinct conceptions; secondly, that the government of the guild and of the town were different; and thirdly, that the grant of the guild was not the substantial creation of the borough, just as little as the conferring of the town charter necessarily implied the grant of a guild.

In the first place, burgess and guild-member were not the same. The burgess was the inhabitant householder who paid scot and bore lot, i. e., contributed his proportion to the taxes, bore his share of the civic burdens and was enrolled at the court leet.[2] The guild-members, on the other hand, were recruited from strangers[3] as well as inhabitants. The guild-

[1] Brady, 54; Thompson in *Gent. Mag.* vol. 35-596; *Hist*, 119; Brentano xciii, taken from Wilda, 146. But see Gneist, *Verw.* I-139, *Gesch. des Selfgovernment*, 201.

[2] "Quod cives sint in lotto et scotto." *Liber Albus*, 269; cf. Travers' Twiss II-xviii; *Ord.* 346; Mer. and St. 1091.

[3] Called exterior vel extraneus homo, forinsecus, foraneus, forishabitans, alien, estraunge, as opposed to intrinsecus, privy or denseín.

members might reside without the borough, the citizen in general could not; the citizen must have a house, the guild-member need not.[1] Inhabitants of London are enrolled on the list of Dublin guild, and the guild in Lincoln is granted to the citizens as well as other merchants in the county.[2] In Berwick burgess and out-dwelling or foreign guild-member are distinguished, and in Bedford burgesses and others who reside in the town belong to the guild.[3]

Not only were strangers admitted, but it was possible to be a burgess without belonging to the guild. In Reading the abbott chooses as warden one of the burgesses, provided he be in the chepyng-guild; hence there were others not in the guild.[4] In Southampton certain individuals were members of the franchise or town, but not of the guild; in Newcastle some of the poor burgesses sue other burgesses who belonged to the guild, while a general law provides for the settlement of disputes between citizens and merchants, which leads to the inference that some citizens were certainly not merchants.[5] One could even live in town without being either citizen or guild member, as in Marlborough and Southamp-

---

[1] *Custumal of Romney* § 42 in Lyon. app.; Ipswich *Domesday*, 152; *Leges Burgorum* § 13; Mer. and St. 117; *Ord.* 373 § 37, 41 and 392 § 41.

[2] *Hist. Doc.* 82–88; *Foedera* I–40; Stubbs, *Charters*, 166.

[3] *Stat. of Berwick* § 46; "Quod eam burgenses ville quam alii quicumque, in eadem ville residentes, in ipsam gildam recipiunter." *Plac. de q. W.* 18. Rogers, *Work and Wages*, 107, confuses guild-merchant with craft-guild in saying that the guild put effectual hindrances on the introduction of strangers.

[4] Cootes, app. 5.

[5] "Et si ascun trespase que ne soit de la gilde e seit de la Franchise." *South. Ord.* § 13; Madox, *F. B.*, 272; *Leges Burgorum*, c. 8.

ton.[1] But the best proof of the distinction between guild member and burgess lies in the fact that women were frequently admitted full members,[2] while of course they could not be burgesses. Females were at the same time constantly engaged in trade and industry, so that it is not surprising that they should have been compelled to join the guild.[3] Prelates and monks, moreover, who were certainly not citizens, were also admitted to membership,[4] for the clergy often attempted to carry on a general trade, in consequence of which serious quarrels arose between the monks and citizens, as at Norwich and other towns.[5] They were even occasionally permitted to form guilds-merchant of their own, in order not to be put at a disadvantage in selling the products of their large possessions.[6]

In the second place, government of guild and town were not identical. At Ipswich, immediately after the grant of the town charter by King John, the whole communalty assembled at the burial-ground to elect two bailiffs and four coroners, and decided to choose twelve officers to govern the borough and render judgment. These were accordingly elected on a succeeding day and sworn before

[illegible]

all the townsfolk, but on the other hand it was decided that the guild-merchant should have a "good, lawful and fit" man as alderman, chosen by the common council of the town, and four good and lawful men as associates, to maintain the guild and "all things pertaining to the guild." The town ordinances were directed to be enrolled and transmitted to certain officials for safe-keeping, but the statutes of the guild-merchant were put into a "certain other roll," as was declared to be the custom in all other cities and boroughs in which a guild-merchant existed, and were entrusted to the alderman of the guild in order that he might never be at a loss to know how his office should be conducted.[1]

This proceeding clearly shows that the two bodies had separate officers, separate aims, and a separate organization. The town is subject to one set of officials, the guild to another; the ordinances of the town are put into a Domesday book, the regulations of the guild into a distinct and separate roll. But the document at the same time proves that the guild was something more than a mere private society of traders, for the institution of the guild is discussed by the whole commonalty, and the chief officer is elected by the common council of the town. And so it was elsewhere. The bailiffs and "good men" of Southampton are elected by the whole people and distinguished from the alderman, four skevins, usher and seneschal, the officers

---

[1] *Rot. Chart.* 65; Merew. and St., 393–401; Wodderspoon, 77. The *Domesday* is reprinted in *Mon. Jurid.* Vol. II. Gross, 42, mentions a translation in the British Museum.

of the guild.[1] At Berwick the aldermen and dean of the guild are mentioned side by side with the town mayor and provosts,[2] and thus in like manner in all other towns where the guild officers occur. Townsmen and guildsmen are continually distinguished, and in an agreement at Leicester fines "which touch the community of the town and not the community of the guild," are mentioned.[3]

Finally, the grant of a guild-merchant was not the creation of a borough.[4] We should otherwise expect to find every borough provided with a guild, and this was certainly not the case. But we have positive proofs. In the extracts from the charters given on a previous page, we almost invariably find that the burgesses are granted a guild-merchant in addition to other usual privileges, the guild forming clearly only one of a large number of rights, and not being the foundation of them all.[5] The principal privileges of a borough were an independent jurisdiction,[6] the right of self-government and the immunity from all separate taxes, in lieu of which a gross sum—the farm or *firma burgi*—was paid yearly. But the guild, or monopoly and freedom of trade, was not necessarily granted, and

---

[1] *South. Ord.* § 1, 44, 32, 54. Cf. Harland, I-193.

[2] §§ 5, 14, 33, 34. *Ord.*, 339.

[3] *Gent. Mag.* vol. 35-599; Thompson, 129 (whose inferences are therefore erroneous). As to Norwich, Blomefield, II-37.

[4] As Brady and Brentano say.

[5] *Rot. Chart.* 40, 65, 39, 93, 212, etc. *Foedera* I-40; *Lib. Cust.* 671, etc.

[6] Sac and Soc.; cf. *Leges Ed. Confessoris*, 22 in Thorpe, I-451. Also Gneist, *Self-gov.* 583; Brady, 40; Madox, *F. B.*, 18, and *Exch.* 226; Stubbs, *Hist.* 410. "Libertas burgi quod non implacitentur burgenses extra Burgum," *Abbrev. Plac.* 186, 351.

in many cases it was conferred at a late date. Thus at Carlisle the town liberties were granted at one period, but the guild-merchant was initiated subsequently by an entirely different charter, and the guild could hence not be the foundation of the municipality.[1] In addition to these cases, it would not be difficult to find instances where there were boroughs but no guilds,[2] and others where there were guilds but no boroughs, as in some of the market towns and convents which were certainly not boroughs.

This fundamental distinction between guild and town applied equally well to Scotland from whose towns some of the above illustrations have been taken, and where the development was in many respects essentially similar. They are mentioned here again only because the case of Berwick-on-Tweed has been triumphantly used as a convincing proof of the identity between guild and town.[3] Here, it is true, one general guild was formed by the consolidation of all previously existing minor societies, but it was neither a frith-guild nor the outgrowth of any frith-guild which originally coincided with the whole body of citizens.[4] On the contrary, it was a guild-

[1] *Placita de q. W.* 121.

[2] As at London and the Cinque Ports.

[3] Esp. by Brentano. Cf. the articles in Houard, II-467; Wilda 376; *Regiam Majest.* 141; *Ord.* 338; *Acts of Parl. of Scotland* I-89.

[4] § 14 to which Brent. refers contains no trace of a frith-guild, nor the least mention of citizens: "Statuimus quod quotiescumque Aldermannus, Ferthingmanni, Decanus, voluerint congregare confratres gildae ad negotia gildae tractanda, omnes fratres gildae veniant audito classico super forisfactum XII denariorum." Guild-brother alone is mentioned. Brentano's assertion to the contrary is incomprehensible. § 12, 13, 31, 32 are the ordinary provisions of a social nature. Cf. Gross, Beilage D.

merchant, and plainly distinct from the town. The town is governed by the mayor, provosts and twenty-four good men elected by the whole commonality, the guild by the aldermen and dean. Certain fines go to the town, others to the guild; citizen and guild-brother are continually kept apart, and in one section even opposed to each other.[1] The guild was formed for purposes of trade, almost all the provisions in which the union is mentioned referring to commerce and market laws. And although most of the burgesses would be members it was not necessarily so. Women, moreover, were also admitted, and could, of course, not be burgesses.[2] The statutes simply show that one guild in the town had, as a result of rivalries with the other less important unions, absorbed them all, whether craft or social guilds.[3] The consolidation was certainly the result of a violent usurpation and in so far presents no analogy with any English town;[4] but even at Berwick citizen and guild-brother were distinct categories, the guild did not govern the town, nor was it tantamount to the civic administration.

The divergence between guild and municipality must, however, not be exaggerated. In the smaller towns where almost every one may have been included under the generic term of merchant, the guild very probably comprised nearly all the burgesses, or at all events all the important burgesses; and where the number of foreigners was insignificant,

[1] § 5, 6, 12, 14, 35 and 33, 34; 2; 46.

[2] "Exceptis filiis et filiabus gildae" § 8.

[3] § 1, 32. Cf. Gross, 100.

[4] The Judicia Civitatis Lond., as we saw, was neither merchant-guild nor a union of previous lesser guilds.

burgesses and guild-brethren may in truth have been the same individuals. In some such cases the guild-hall, as the most important building in the place, was gradually put at the disposition of the community and served as the town-hall. But this was not confined to the guilds-merchant, for in the case of Birmingham we possess explicit accounts of the founding of a social guild by the whole commonalty, whose place of assembly was used as the town-hall, even after its abolition by Ed. VI.[1] The case was probably analagous in other localities. In the towns which belonged to the demesnes of prelates where the episcopal jurisdiction was often retained up to the reformation, as well as in the manorial franchises of the secular lords where the independent court leet was unknown, the guild-merchant was one of the foremost privileges of the burghers and frequently became the upholder of liberty against the arbitrary exactions of the feudal superior. This was especially true of Reading, Beverly and Malmesbury.[2] But on the other hand guild and town were in general different conceptions, and sometimes even opposed to each other, in one instance to such an extent that the guild was ultimately abolished as prejudicial to the interests of the citizens.[3]

---

[1] "The town-hall alias dict. le guilde-hall." Cf. g. of the Holy Cross. *Ord.* 239–250.

[2] Coates, 49–56; Merew. and St., 137–141; Scaum., I–150; *Registr. Malmesb.* I–446.

[3] At Norwich: "Quod nulla gilda de cetero teneatur in civitate praedicta ad detrimentum ejusdem civitatis." Blomefield, II–37. Cf. *Plac. de quo W.*, 160.

§ 3.

The Later Fortunes.

The guild-merchant must thus in the period of its prosperity be carefully distinguished from the borough; its function was economic, not political; its membership and organization were independent although its position was subordinate. But a second period in the development succeeded, a period of decadence, which began at different epochs in the various towns, and which was practically completed in the fourteenth and fifteenth centuries. In many instances the guilds utterly disappeared, to be reorganized in later times, but with their nature essentially modified.[1] In some cases they were replaced by the companies of merchant adventurers, begun in the thirteenth century as a small society but which soon grew into an immense union with branches all over the realm, and recruiting members from the divers social and craft guilds.[2] Thus in Newcastle a guild-merchant had been granted in the reign of John, while the fellowship of merchant adventurers, in a petition of 1644, assert that they have been "an antient guild of merchants ever since the seventeenth yere of king John."[3] In other towns the guilds-merchant became mere craft-guilds, forming one of the numerous unions within the municipal limits, and possessing no peculiar privileges. At Exeter the

---

[1] At York and Coventry; *Rot. Parl.*, I-202; Drake, I; *Ord.*, 226.

[2] Anderson, I-253; Schanz, 327-352; Herbert, I-234; Mackenzie, II-664. They still exist in York, Bristol and Newcastle. *Com. Hist. MSS.* I-110; *Rep. Com. Liv. Cos.* 16.

[3] Brand, II-219; Merew. and St. 1672; also at Bristol, Barrett 182.

merchants formed a separate guild by the side of the mercers and other artificers; at York the merchants and mercers formed one corporation with the grocers and apothecaries.[1] In some cases again they were converted into simple social guilds, and seem to have lost all traces of their former economic significance.[2]

But these were all exceptions. As a rule the guild coalesced with the town organization and lost its identity so completely that it became a mere term to designate the privileges of the whole body of burgesses. The mayor was now the chief officer of the guild, the aldermen and chamberlains were the officers of the town. The guild, formerly a means of procuring enfranchisement for villeins who had been a member a year and a day[3] now acted by the side of the court leet as a simple machinery for admitting burgesses to the civic liberties.[4] Its functions were no longer mercantile, it was no longer a society or even a part of the administration, but became simply a form, an assembly at which certain civic business was transacted; town hall and guild hall were the same, and the guild, as a shadow of its former self, became a phase or function of the cor-

---

[1] *Rot. Parl.* V-290; *Ord.* 309 Drake, II-224. Merchant and mercer were originally the same; *Rot. de lib.* 168.

[2] In the guild of the Holy Trinity in Lynn the ordinances were still called those of the guild-merchant; the alderman of the guild interchanged office with the mayor and succeeded him at his death. Blomefield, viii-516, Gross, 87. At Cottingham also; Allen, II-218.

[3] *Regiam majest.* II § 17; Madox, *F. B.*, 271.

[4] In Leicester we find yearly mention of those admitted as burgesses in the guild. In 1572 the words guild-merchant are dropped and replaced by "Freemen," showing their identity. Nicholls, II-399.

poration.[1] So in Worcester, in 1467, we have ordinances "made by hole assent of citesens inhabitantes in the cyte at their yelde-marchaunt" held in the "yelde-hall." In these ordinances, which were read to the assembled citizens every law-day, vestiges of the old distinction between the fraternity and the corporation may still be traced, although the guild is merged in the town. The chamberlains are city officers, but still designated "keepers of the articles of the guild."[2] The strong box where the treasures of the old guild were kept is now a civic institution for the reception of the city's moneys. Bailiffs and chamberlains are charged with the execution of mercantile provisions, and the fellowship is still mentioned, although the guild as such has disappeared, and all its former functions are now delegated to the community.[3] The name itself simply denotes the town meeting where the festival is celebrated as of old.[4] A few centuries later the word disappears even in this restricted sense.[5] But although guild and town were now indeed synonomous, the community was not ruled by the guild;[6] even passing over the evident failure to distinguish between the different periods of guild-development, if we remember that

[1] Stubbs, *Hist.*, III-565.

[2] Printed in *Ord.* 376. The articles of 1496 in Green (Worcester) app.; *Brit. Arch. Ass.* V-245.—Preamble, § 29, 8, 2, 55, 64.

[3] § 3, 5, 2, 9, 18, 53, 62.

[4] "The day and fest of the said yelde" § 62.

[5] In the *Liber Legum* at the beginning of the eighteenth century. *Ord.* 411.

[6] Stubbs, *Hist.* III-582 errs here. The common council of forty-eight was chosen by the whole town, not by a guild. § 47, § 48.—The twenty-four were of the "grete acloth," but members of the craft-guilds like the livery men at London.

guild was now a mere name for the whole body of citizens, the mistake becomes easy of explanation. Guild was now tantamount to town assembly, and we often meet with references to the business transacted in "full guild of the town."[1] The word was now even used in the phrase "meadow-guild" to designate the assembly where the common lands were allotted to each burgess.[2]

The custom of holding the guild for the purpose of admitting burgesses to participation in the corporate franchise became in many cases the sole object of the institution. In Preston, by a remarkable survival, the custom has continued to this day, and every twenty years witness a period of intense excitement. Processions of the trades, banquets and festivities continue for a whole week, and all business is at a standstill. The proceedings culminate in the holding of the guild-merchant, for which special officers are appointed, aldermen, stewards and seneschal, the last position filled by the town clerk. The names of burgesses enrolled at the preceding guild-day are read, and the new citizens then admitted, each one taking an oath precisely similar to that of the brethren in former centuries, but now utterly meaningless. He swears that he will color no foreigners' goods (i. e., take them into his house and pass them off as his own), obey the mayor and bear all burdens, inform the authorities as to the existence of any secret conventicles, and make known all strangers who trade

---

[1] In Newcastle, Brand, II-316. Cf. the Fellowship of Burgesses at Burford in 1605, as a continuation of the old merch. guild. *Rep. Pub. Rec.*, 439; *Ord.*, 272.

[2] *Archæologia*, vol. 46-411.

in the town. The festival is then continued throughout the week until the merry-makers disperse only to recommence after another twenty years.[1]

The privilege of a guild-merchant was still occasionally granted during the sixteenth and seventeenth centuries, but only as a mere form; and the "hanse of the guild" even survived in Lancaster in 1591.[2] Often the name continued to exist, but the meaning was totally forgotten, as at Winchester, where the mayor in 1705 brought an action against one Wilkes to prevent him from carrying on his trade, alleging an old custom that no one should pursue his occupation unless free of the guild-merchant.[3] The judges said "the words gilda mercatoria signify a corporation, but what it signifies in this declaration nobody knows. We cannot take notice that the guild and the city are all one, although it may be so; non constat to us whether the guild be the whole town or part of the town, or what part of the town." In short, the magistrates confessed their utter inability to offer any explanation of the term: the institution, once fraught with such a pregnant meaning, had become a mere word, and nothing more.

To summarize the results of this chapter, we see that the guilds-merchant were an institution of great importance in the early mediæval towns, and that the period of their existence as independent organizations dates from the eleventh to the thirteenth or fourteenth centuries. Their origin is not to be

---

[1] Cf. *History of Preston* (esp. 77); Dobson and Harland, 11-71. Baines, IV-287 gives the Custumal. Also in Dobson and Harl. app.

[2] Walford, V-243.

[3] Winton *v.* Wilkes, 1 Salkeld *Reports*, 203; 2 Ld. Raymond, 1134; Kyd, I-64; Merew. and Steph. 1920, note.

sought in any social or protective union, for although they adopted certain features common to all guilds, the disparity of their aims is so evident as to preclude all inference of direct descent from Anglo-Saxon frith-guilds. Perhaps at the outset a mere society of traders, they soon became invested with municipal duties, and formed an integral part of the civic administration. But although the guild was coördinate with the town, it differed both in membership, organization and function. Burgess and guild member, municipal authority and guild officer, town grant and guild charter were entirely distinct. Instituted for the purpose of monopoly of trade and immunity from taxes, and at the same time enjoying a certain exemption from the royal jurisdiction, the guilds performed a genuine service in enforcing the commercial laws and carrying out the economic policy. But in the subsequent period, whose limits it is difficult to define with precision, the guild-merchant lost its character as a distinctive entity. Undergoing in some cases a gradual transformation into private associations of an ultimately dissimilar nature, the guild in general coalesced with the corporation or became a mere assembly to admit new comers to the freedom of the town, a mere form whose true meaning daily grew more vague and indistinct, shorn of any economic significance, and slowly wasting away until nothing but the name remained to recall the bright days of its former prosperity.

II.

THE CRAFT-GUILDS.

§ 1.

Origin and Development.

The origin of the English craft-guilds has never been adequately investigated. Some have regarded them as institutional developments from the Roman artisan colleges. During Britain's subjection to Rome, it is true that the colony was not without a certain degree of industrial activity. In Winchester alone the woollen cloths which supplied the greater portion of the Roman army are reported to have been woven.[1] Artisan colleges were accordingly not lacking. In Bath we hear of a *Collegium fabricensium* or college of smiths,[2] in Chichester of a *collegium fabrorum* or society of carpenters, and in Scotland the inscriptions at Carey castle speak of similar associations.[3] But these artisan colleges cannot be looked upon as the direct prototypes of the craft-guilds. The Roman colleges, far from being associations of free craftsmen united for individual or collective welfare, were hereditary caste-like organizations imposed by the government upon the laborers, and forming a branch of the state administration, entirely different in object, influence and

[1] *Brit. Archæol. Assoc.* V-261.
[2] Coote, *Ord.*, 22; Pearson, I-45.
[3] Wright, 360; Thompson, 6.

constitution from the craft-guilds.[1] But even were it otherwise, there is little probability of their continuous existence through the era of Saxon anarchy to the Norman times. All the craft-guilds that we know may be said to have had an absolutely independent origin. Even on the continent the theory of a Roman origin has been abandoned.[2]

Another view connects the craft-guilds with the bond handicraftsmen. But this, although possibly true of isolated cases on the continent, has no application at all to England, notwithstanding the fact of the similarity in the manorial system throughout Europe. The old idea that the feudal system was introduced by William is now thoroughly exploded, and we know that for several centuries before the conquest the same factors were at work as on the continent. The whole land was divided into the immense possessions of nobles and bishops, while the laborers of all kinds were chiefly in a dependent position. For a long period after the conquest, when a single earl possessed seven hundred and ninety-three large estates, and the whole county of Norfolk had only sixty-six proprietors,[3] the economic state of the manors remained very much as in the Saxon epoch.[4] The tenants, like those of the *manses seigneuriales* of France, or in the *Frohnhöfen* of

[1] Rodbertus, Hildebrand *Jahrb.*, VIII-418; *Codex Theod.* XIII, XIV contains many references. Cf. Brown, *State Control of Industry in the Fourth Century. Political Science Quarterly*, vol. II, 496-513.

[2] Stieda, 3; Maurer, II-321; Levasseur, I-105, 193; Hegel, II-265; Schmoller, 378.

[3] Ellis, 72; Eden, 54.

[4] Rogers, *Work and Wages*, 38; Stubbs, *Hist.*, I-273; Freeman, V-462.

Germany, were composed of a multiplicity of ranks. Even though the whole life bore the imprint of an agricultural community, artisans of all kinds are not rarely mentioned. In the enumeration of the ranks and their respective duties in the Saxon laws the agricultural element greatly predominates, but we are expressly told that the villein's (*geneat*) duties are of a complex character.[1] And it is well known that the artisans of the manor lords were recruited from this class as well as from the bondmen (*theow*).[2]

At the time of the compilation of *Domesday* a large proportion of the tenants was still composed of freemen and *socmen*, or species of privileged villein with fixed services and an interest equal to freehold. The boors (*bordarii*) and cottagers (*cottarii* or *coterelli*) were personally free, although compelled to work several days for their landlord, and to supply his table with dairy products. The villeins (*nativi*) again, termed regardant or in gross as they were annexed to the land or to the person of the lord, gradually formed one class with the pure bondmen (*servi*).[3] From these classes, which insensibly grew into the copyholders of later times, the handicraftsmen were chosen. The wants of opulent proprietors engendered a multiplicity of workmen who frequently appear in the manor-rolls and abbey registers of the period. The officials of the royal household are already mentioned in the very earliest

[1] Rectitudines singularum personarum. Thorpe, *Early Laws*, I–432.

[2] Kemble, *Cod. Dipl.*, 925; Dialogue of Ælfric in Thorpe, *Analecta*; Kemble, *Angl.-S.* I–185.

[3] Ellis, *Introd.* Other classes, like the *Rachinestres* and *Coliberti*, midway between the free and servile, occur in *Domesday*.

Anglo-Saxon laws.[1] At the abbeys of Peterborough and Worcester there are long lists of workmen, from bakers and brewers to fine leather workers and weavers.[2] "Eighty less five bakers, brewers, seamsters, fullers, shoemakers, tailors, cooks, porters and servingmen" minister to the abbot and brethren at Bury St. Edmunds.[3] No manor is without its *famuli* and *operarii*.[4] In some instances the workmen are so numerous that special officials are delegated to supervise them. From this it may be inferred that the more extensive estates were not without their workshops as on the continent.[5] In the villages also, most of which were originally included in the domain of a manorial lord, smiths carpenters, millers, goldsmiths, dyers and the like are continually recurring,[6] and the large lead, iron and salt works must have given employment to a numerous body of workmen.[7]

But, while we meet with these references to the dependent artisans in the landed estates, there is no evidence of any combination of men of the same craft into unions. In the towns, moreover, which

---

[1] Æthelbirht, c. 7 "kyninges ambiht smith" or *Praefectus fabrorum*. Thorpe, *Early Laws*, I-5.

[2] *Registr. Wigorn.* 122 et seq. *Liber Niger* in *Chron. Petroburg*, App. 167, etc.

[3] *Chron. Jocelini*, 148.

[4] Cf. as to the serviens and operarius Bracton, II, c. 8 § 2; Fleta, II c. 71.

[5] "Magister super operarios" and "magister serviens," in Edmundsbury and Worcester. *Chron. Joc.* 7; *Regist. Wigorn.* 119 *b*.

[6] Fabri, carpentarii, aurifabri, tinctores, etc., in *Domesday* 58[b], 74, 187, 219[b], 273, 298; *Bolden Buke*, 568, 582.

[7] Plumbarii, bloma ferri, and salinae. *Domesday*, 80, 91[b], 104, 272, 272[b], *Regist. Wigorn.*, 32[a].

were chartered in the reigns immediately succeeding the conquest, there was no longer any room for bond-handicraftsmen. Residence of a year and a day liberated all villeins, and this, in fact, was the cause of collision between the landlords and the burghers. The very object and nature of the craft-guilds precluded the possibility of their formation among the bondsmen. The privilege of union was granted only to the free inhabitants of the chartered towns, while we have numerous examples of artificers being compelled to abandon the craft on discovery of their villeinage.[1]

What then was the origin of the craft-guilds? The commonly accepted view is that of Brentano, as a development of Wilda's theory. According to him just as the original guilds were founded to replace the family, so the guilds merchant, which he identifies with full citizens' guilds, grew out of the peace clubs in the burghers' struggles against the lords,—and in like manner the craft-guilds were formed by the expulsion of petty artisans from the town-guilds. The craftsmen, imbued with the old idea of the family and actuated by brotherly love, formed their unions for self-protection against the patricians, and the trade regulations were only adopted subsequently as a supplementary measure. After a few centuries of continual strife, the artisans finally succeeded in wresting all political power from the old-burgher

[1] *Memorials of London*, 59 where three butchers are convicted of holding lands in villeinage of the Bishop of London in 1305. Brentano's idea of the existence of companies of bondmen in towns (Introd. lx.) is erroneous. Stubbs' note does not show that the bondmen were craftsmen.

guilds, and thenceforth oppressed them with the same harshness as they themselves had previously been treated.[1]

Unfortunately these several positions are in great part erroneous. We have seen that the family theory is inexact, that the guild-merchant had no connection with any protective union, and that it was no old-burghers' guild, nor synonymous with the urban constitution. So also there is no proof of any political oppression of the craftsmen by the guild-merchant, nor was there any general conflict between patrician burgesses and plebeian artisans, resulting in a complete victory of the crafts, and giving them an independent jurisdiction. In short, it would be difficult to present a more exaggerated description of the mediæval craft-guilds and their position in English economic life.

And first as to the birth of the crafts through an alleged exclusion from the "great guild." The earliest charters date from a short period subsequent to the conquest. During the reign of Henry I. the union of weavers existed in London, and the cordwainers and weavers of Oxford as well as those of Huntingdon pay for the privilege of having a guild.[2] The weavers and fullers of Lincoln enjoy similar immunities.[3] In the time of Henry II. the guilds in Nottingham and York are mentioned,[4] while the ordinances of those in London, Winchester, Beverly,

---

[1] Introduction Chap. 4.

[2] *Magnum Rot. Pipæ* 31 Hen. I. 2, 5 48, 109, 144. Ibid. Hen. II. 37, 150. The telarii and corvesarii are mentioned.

[3] *Abbrev. Placit.* 65.

[4] *Magnum Rot.* 2 Hen. II. 39, 153.

Oxford and Marlborough are still preserved.[1] During the same period the bakers and weavers of London were declared remiss in their payments to the king,[2] and the goldsmiths, butchers and pepperers were among the fifteen guilds amerced as adulterine or set up without royal license.[3] The saddlers, also, are mentioned as a guild of long standing in the metropolis in a compact of the twelfth century.[4]

These examples afford abundant evidence of the widespread development of the crafts under the early Norman monarchs, and show that in England as on the continent their inception must be ascribed to the beginning of the twelfth century. This period of rapid progress in industry, as well as the subsequent reigns of John and Henry III., witnessed, as we have seen, the free bestowal of charters to the towns, and of grants to the guilds-merchant. The burgesses were often vouchsafed the privilege of forming "merchant and other guilds," or, as was frequently said, "all reasonable guilds," which clearly included the crafts.[5] The craft-guilds were thus often created synchronously with the guilds-merchant; in some towns they existed before the guilds-merchant,[6] and in others there were crafts but no guilds-merchant

---

[1] Lex telariorum et fuliorum. *Liber Cust.*, 130–131; *Liber Niger* of Winchester f. 22, 31, 32; *Archæol. Journal* IX–69.

[2] Bolengarii et telarii. *Magnum Rot.* 4 Hen. II 112, 114.

[3] Aurifabri, bocherii, and piperarii in 26 Hen. II. Madox, *Exch.*, 390; Maitland, I–52; *Magnum Rot. Pip.* 1 Rich. II–226.

[4] Madox, *Firma Burgi*, 27.

of Bristol, 53; Mereweth. and Steph., 360.

[6] So at Oxford and Lincoln where the guilds-merchant were formed in the time of Hen. II., while some of the craft-guilds are found under Hen. I. *Lib. Cust.*, 671; *Foedera*, I–40.

at all.[1] The improbability of the statement that the expulsion of the artisans from the old-burghers' guilds gave rise to the craft-guilds thus becomes apparent—especially as there appears never to have been any such expulsion, or any such combination of old-burgher and merchant guild.

The relation of these two institutions, although very obscure and never yet thoroughly investigated, seems to have been very different from that which most authors have imagined.[2] The strong pressure of royal authority in England, and the equal subjection of all to the city jurisdiction, would have rendered all general conflict between the guilds very difficult—far more difficult than was the case on the continent. Moreover, their interests in the main were harmonious. For the guild-merchant would in most cases be composed of the majority of the inhabitants, and it was of the utmost importance for the artisans, who kept little shops and sold the product of their own industry, to enjoy the immunities which formed the characteristics of the merchant-guild.[3] We accordingly find, in the only full list of members that has come to our notice, a large number of handicraftsmen, notwithstanding the fact that they were again enrolled in unions of their own.[4]

[1] So at London and the Cinque Ports.

[2] Merewether and St., as well as Rogers, *Work and Wages*, continually confound them.

[3] In London the glovers keep shop, and buy and sell. *Memor.* 245. Cf. the craftsmen's booths for the sale of goods in Winchester. *Ord.* 355. *Archæol. Journal* IX–69 et seq.

[4] In 1226 a ropere, sellator, letherkersnere, tinctor, miles, lokesmith, tailor, cureer, turnur, pulleter, oxbernere, pictor, faber, fustere, cercler, corduaner, limberner, etc., occur in the gille-mercatura of Dublin. *Hist. Doc.* I, 82-88.

This simultaneous membership in different unions was not at all uncommon. The social guilds were often in part composed of craftsmen, and the members of a craft guild not infrequently formed a smaller union of a social or even religious character, or, as it is said, a "particular brotherhood or guyle within their generall corporacion."[1] The merchant adventurers later on recruited their numbers from the crafts, and it was possible for the same person to belong to both guild-merchant and social fraternity.[2] If Brentano's view were correct, that all the guilds were at bottom protective unions, such commingling of membership would be absurd, because superfluous.

On the other hand, there seems to have been an exception in the case of the weavers in various towns, like London, Beverly, Marlborough, Oxford, Winchester and Lincoln.[3] There the weavers undeniably occupied a subordinate position at first. The reason of this is not clear. Some ascribe it to their conjectured foreign origin.[4] But the objection to this explanation is that the foreign immigration of weavers did not begin until the time of Edward

---

[1]So at Norwich, *Ord.* 453; York, Ibid. 141 and Drake, *Eboracum*, App. xxviii; also *Norfolk Archæol.* VII–108; Herbert II–440.

[2]Mackenzie, II–607; Schanz, II–340; cf. the merchant in *Ord.* 458.

[3]See for Lincoln *Abbrev. Plac.* 65; Winchester's operarii burellorum et chalonum in *Arch. Journal* VII–374. For the others see *Liber Cust.* 130–131.

[4]So Riley, Introd. to *Lib. Cust.* lx–1 and *Ochenchowski* 60, note 2. The Flemings, introduced by Hen. I., settled near Wales and did not go to these towns. Ashley, *Early History of the English Woollen Industry*, 21 et seq. does not attempt any explanation, but thinks that the weavers formed no exception to the general rule. But see next note.

III. It is possible, therefore, that in exceptional cases like these the craft-guilds were at the outset regarded with disfavor by the guild-merchant. Strong corroboration of the fact that the weavers and fullers were in this respect different from the other crafts, is afforded by the charter of Alexander II. to Aberdeen, where the king grants that the burgesses should have their merchant-guild, weavers and fullers alone excepted.[1] And in other Scotch towns the weavers and waulkers were long kept outside the guildry of later centuries. It must be confessed, nevertheless, that the connection is obscure.

In the main, however, the guild-merchant and the craft-guild were in one sense coördinate bodies, and at the same time bore the relation of the greater including the less, although many members of both societies were the same individuals. The regulations of a police nature, generally left to the city authorities, were occasionally delegated to the guild-merchant, which thereby obtained a limited supervision over the crafts. At Southampton the statutes of the guild-merchant contain a number of provisions relative to the crafts.[2] At High Wycombe, in the fourteenth century, the guild-merchant still exacts "stallage" from the weavers.[3] At Beverly the officers of the companies were appointed yearly by the guild-merchant,[4] which there, as in the other episcopal towns, exercised many important func-

[1] Warden, *Burgh Laws*, 90.

[2] *Archæol. Journal*, XVI-283, esp. the later ordinances.

[3] *Com. Hist. Mss.* 1876, 566.

[4] Allen, II-122; Scaum, 163, etc.

tions. Traces of a former partial subordination of the craft to the merchant-guild in Worcester are still preserved in the time of Edward IV.;[1] the tailors at Leicester paid ten shillings to the merchant-guild for every new master, and the other trades were probably under the same obligations;[2] while the confiscation of the weavers' cloths in Lincoln was in all likelihood the act of the guild-merchant.[3] But, as a rule, the ultimate power was lodged in the hands of the municipal authorities, and the subjection of craft-guild to city was, as we shall see, practically complete.

The picture that has been drawn of the struggle between plebeian artisans and patrician burghers has likewise been much exaggerated. There are indeed a few isolated instances of friction where a particular fraternity endeavored to exercise unauthorized powers and prosecute the trade utterly regardless of the urban authorities. But the rebellious attempts were quickly frustrated and do not possess the significance given them by the partisans of a pet theory. The guild of weavers in London is a case in point. As has just been shown, the weavers there and in some other towns, like Winchester, Marlborough, Oxford and Beverly, at first enjoyed an humble position. No member could implead a citizen, or be admitted to the franchise unless he abjured the fraternity, hated by all burgesses on account of the favors shown by the various

[1] *Ordinances*, 379, § 9 et alii.

[2] Nicholls, vol. I. Stubbs, *Hist.* III–581; Cf. Thompson, *Hist.*, 84.

[3] The alderman (and provosts) took the goods because they were dyed and sold "contrary to law." The alderman, as head of the merchant-guild, would watch over all sales. *Abbreviatio Plac.* 65.

monarchs.[1] Their continual attempts to attain an independent position through encroachments on the city liberties finally became so unendurable that, after London was erected into a commune in 1191, the citizens applied to King John for their utter exclusion from the town.[2] This monarch granted the prayer, but with his accustomed avarice immediately restored the weavers to their old position on payment of an increased fine. The conflict was renewed in succeeding reigns until determined under Edward I. by the complete subjugation of the guild, whose officers are ratified by the mayor.[3] We hence do not see any general struggle between the patricians of the guild-merchant and the plebeian artisans, but simply a contest of strength between the whole body of citizens (who did not form a guild-merchant) and a small collection of outsiders attempting to arrogate to themselves illegitimate powers.[4]

There are a few other sporadic instances of attempted insubordination. The fullers and dyers of Lincoln under King John complained that the authorities had seized their goods and refused to give

---

[1] "Ne nul franke homme ne puet estre atteint par telier ne par fuloun, ne il ne poent tesmoign porter," etc., *Lib. Cust.* 130. "E si nul de eux enricheist si qil voille son mettier guerpir forsjure et touz ustilz ostera de son ostiel. E si face taunt vers la cite qil soit en la fraunchise e de la custume de Londres, si come il dient."—Ibid. 130, 131, lxi.

[2] "Pro gilda telaria delenda ita ut de cetero non suscitetur." *Liber Albus*, 134 § 66; Madox, *Exch.*, 279.

[3] Ord. of 28 Ed. I. in *Lib. Cust.* 121, 126. For a later lawsuit, in 14 Ed. II., see *Lib. Cust.* 416; *Plac. de q. W.* 465. Cf. *Rot. Parl.*, III-600, IV-50.

[4] Cf. in general Madox, *Firma B.*, 192, 284; Norton, 398; Herbert, I-17; Stubbs, *Hist.* III-572; Ochenchowski, 59.

them up. The alderman and provosts replied that the cloths were dyed and sold in derogation of the customs of the town and in face of a positive prohibition, and the court finally decided against the craftsmen, who were able to adduce no satisfactory proof of their unwarranted claims, the result not leaving much doubt as to the futility of opposition on the part of the guilds.[1] The final example is the struggle of the tailors with the corporation of Exeter under Edward IV. The guild, which had existed for a long period, assumed to make such disturbances as to cause the expulsion of its members from the town council and to arouse the enmity of the whole population. After several serious difficulties the city magistrates petitioned the king to quash the letters patent, in consequence of which the turbulent society was shown its proper place and its powers strictly defined as subordinate to those of the urban administration.[2] Here again we do not see any general struggle between patricians and plebeians, but simply a riotous society seeking to set itself above the general laws, and whose attempt results in ignominious failure,—thus showing the weakness of the guilds and the error of asserting their general victory over the towns.

Notwithstanding all this Brentano attempts to prove their triumph by the charter of Ed. II. to London, which, according to him, prescribed that "no person should be admitted to the freedom of the city

[1] *Abbreviatio Plac.* 65. "Fullonibus similiter non licet (tingere et vendere pannos) quia non habent legem vel communiam cum liberis civibus."

[2] *Ord.* 299–330 esp. 311; *Arch. Journ.* XI–182; Izacke, 89; *Rot. Parl.*, V-290; Merew. and St., 896.

unless he were a member of one of the trades or mysteries." But a mere glance at the document suffices to show that it contains no such provision. On the contrary, it says that no native or foreigner "who practices any mystery or occupation" should be admitted without the consent of the officers of his craft, but if he were no craftsman the whole community (and not the guild officers who would naturally have no interest in the matter) should pass upon the question.[1] The applicants were divided into two classes, artisans and non-artisans, and with the latter the guilds had no concern at all. The significance of the charter is thus just the opposite of what has been asserted, the importance of the first clause, which can be understood only when the function of the craft is grasped, being economic and not political. In the year 1375 it is true that the elective franchise for mayor and council was put in the hands of some of the companies, but in the very next decade the right was restored to the original voters or free inhabitants of the wards.[2] It is thus difficult to see how

[1] "Quod indigena....de certo mistero vel officio in libertatem civ. non admittatur nisi per manucaptionem sex hominum....de mestero vel officio de quo ille erit....et eadem forma....observetur de alienigenis....Et si non sint de certo mistero, tunc in libertatem... non admittentur sine assensu communitatis civitatis. *Lib. Cust.* 269–270. Brentano takes the statement at third hand, but both Herbert, I–27, and Norton, 120, give it correctly. Stubbs, *Hist.* I–419, unfortunately repeats Brentano's statement without verifying it.

[2] *Liber Albus* 41, 462; in 1384, confirmed in 1386. Even at the height of their fortunes, in 1475, the guilds did not have the government entirely in their hands. The common council was still elected by the inhabitants at large, the aldermen likewise by the citizens of the wards, while the livery companies, which composed only a small part of the craft-guilds, possessed but a limited share (in conjunction with the representatives of the citizens at large) in electing

this proved the "completion of their triumph." The troubles which ensued at the election of Nicholas Brembre as mayor in 1386 were not owing to any general conflict between guilds and town, for a large number of the craft-guilds themselves petitioned the king against the usurpations of the grocers. The petitioners included the crafts of cordwainers, saddlers, mercers, spurriers, bladesmiths, painters, armorers, embroiderers and founders.[1] The guilds, indeed, comprised many of the important inhabitants, and the city officers were often chosen from their ranks, but this was true already at a very short period after their foundation.[2] The lamentations, therefore, over the poor oppressed plebeians are as misplaced as the account of their subsequent victory, for the craft-guilds, on the contrary, were neither oppressed nor oppressors: they were, in most instances, composed of freemen on a par with the other citizens, and on the other hand never acquired any complete independence of the municipal administration.

The early charters throw some light on the true origin of the craft-guilds. They all provide for the establishment of an association with the free customs

---

the mayor and sheriffs. Cf. the various ordinances in Merew. and St. 1986–2000. Stubbs, *Hist.*, III-76 thus seems to exaggerate in speaking of the "final victory of the guilds." In 1651 the election of all officers was restored to the free inhabitants of the wards, and it was not until 1721 that parliament, influenced no doubt by the erroneous conclusions of Brady's *Treatise on Boroughs*, gave the franchise to the livery companies,—a right which they still possess.

[1] *Rotuli Parl.*, III-225.

[2] A merer was mayor in 1214. *Rep. Com. Lit. Cor.* 12: a pepperer in 1231, Seymour and Marchant, II-67: Cf. *Lib. de ant. Legibus* [illegible] Chronicon, 20, 38, 43, 68, etc.

of a collective personality entitled to possess property and regulate their internal management, but containing as a cardinal point the provision that no one should venture to carry on the trade either in the city or suburbs unless a member.[1] It amounted to what in the German guilds was known as the *Zunftzwang*. This regulated monopoly of industry—but monopoly in the good sense, for all citizens could obtain admission at first—was the kernel of the institution, the condition *sine quâ non* of exercising any supervision over the craftsmen. But the reason of such monopoly and of the formation of the crafts is illustrated by a later occurrence in London: Several potters complain to the mayor and aldermen that many persons buy pots of bad metal and put them on the fire to resemble pots that have been used and are of old brass, and then sell them to the deception of the public, for the moment they become exposed to a great heat "they come to nothing and melt."[2] The mayor forbids outsiders from doing this, four men are chosen as wardens to guard against the recurrence of such deceits, and the organization is completed.

The crafts could thus not be initiated without permission.[3] The towns often assumed the right of recognizing the formation of guilds, which was regarded as a perfectly legitimate exercise of muni-

[1] "Quod nullus nisi per illos (*i. e.* telarios) se intromittat infra civitatem de eo ministerio, et nisi sit in eorum gilda," etc. *Lib. Cust.* 33, 48. Cf. a later charter in *Ord.* 300; a charter of 1199 in Deering, 92; Madox, *Exch.*, I-339 for other examples.

[2] *Memor.* 118. In the Cordwainers' Guild, in the time of Henry III., the object is: "ad omnimodas falsitates deceptiones in posterum evitandas." *Lib. Memorandorum*, 441.

[3] Notwithstanding the contrary opinion of Smith, *Ord.* 128, 130.

cipal powers. But this authorization was in general of no avail without an express charter from the monarch, just as in the case of the guild-merchant and social fraternities.[1] The ordinances of the craft-guilds were in strict conformity with the general legislation as well as with the customs of the city, and although the by-laws of the union often redounded to the advantage of the artificers, the avowed and ostensible object was the common weal and prosperity.[2] The regulations of the craft were subject to the periodical approval of the municipal officers,[3] and the guilds were formed and recognized as welcome auxiliaries to the organs for the enforcement of the market laws. Care, indeed, must be taken not to exaggerate the involuntary character of the unions, for the early rights of the craft-guilds were probably, in part at least, the growth of self-assertion. But the laborers sought to unite, not because of any necessity of political protection, but in order to obtain certain economic advantages, to secure a provisional jurisdiction, and primarily to supervise the actions of the members and to prevent any one individual from gaining an unfair advantage over the other. Instead of being so imbued with the spirit of self-sacrifice and brotherly love, as the

---

[1] *Year Book*, 49 Ed. III, fol. 36 where the judges held that no guild could be initiated except by royal charter.

[2] The ordinances of the brasiers, under Henry V., are accepted, because "consonant with reason and redounding to the public honor and to the advantage of the common weal." *Memorials*, 627. Cf. the masons, *Mem.* 280; the farriers, 290.

[3] Cf. *Memorials*, 120 (pepperers), 145 (armorers), 178 (tapicers), 281 (masons), 392 (farriers), etc.

upholders of a rather sentimental theory assert,[1] the members were actuated chiefly by the thought of their own pecuniary advantage.[2] But above all, the ordinances were not so much the spontaneous work of the crafts themselves, as the outgrowth of a general mediæval policy, and can be understood only as subordinate factors in the municipal life. The crafts were favored by the towns because they were useful allies in upholding the municipal regulations; commonalty and guilds each sought their own interests, but their endeavors were in the main practically coincident and their relations generally harmonious. This can be shown by setting forth their constitution and true function.

§ 2.

Constitution and Function.

The unions known by the names of mystery, faculty, trade, fellowship, or (from the fact of possessing particular costumes) livery company,[3] existed in large numbers throughout the realm, and were frequently divided into two or three categories. Thus in London the principal crafts were the twelve "substantial companies" or "livery companies;" in York there were thirteen greater and fifteen lesser guilds; and in Newcastle we find twelve chief mysteries,

---

[1] Brentano, Howells and Walworth *passim*.

[2] In the case of the London weavers some of their customs, recited in detail, were declared to be "ad singulare proficuum eorundem telariorum et commune dispendium populi." *Lib. Cust.*, 421.

[3] The Latin names were mistera, ars, artificium, facultas, officium, fraternitas, and gilda. Mystery is the French *mestier* or *métier*, and has no connection with "mysterious." Madox, *F. B.*, 33.

fifteen bye-trades and many other smaller fraternities.[1] At the side of the alderman or master,[2] the chief officer, stood four or six wardens or searchers[3] who possessed the general authority to inspect work and rectify abuses. Occasionally a number of assistants were appointed to aid them in the discharge of their duties, and this custom, begun in 1379 in the Grocers' Company in London,[4] paved the way for a subsequent transformation of the crafts into close corporations. As in all guilds, the social gatherings, processions and annual feasts played a great role, and we find here and there provisions for the common welfare, assistance to the needy and the maintenance of a chaplain.[5] But these few ordinances of a charitable character played an exceedingly insignificant part in the constitution of the craft-guilds, and it is an egregious error[6] to magnify them into the very kernel of the guild's existence, and to consider the economic functions as a mere appendage to or development from the spirit of fraternal affection. The immense majority of ordinances contain no mention of anything but purely trade matters, and it was

---

[1] Herbert, I–38; Drake, 207; Brand, II–312. In Newcastle, Norwich and York alone there were over 150 craft-guilds. *Rep. Com. Liv. Cos.* 16. There is hence no foundation for the statement of the German authors (especially Schönberg, *Handbuch der politischen Œkonomie*, 884) that the guilds were not so common in England as on the continent. Their influence was not so great, it is true, but they existed in every large town.

[2] Also known as "pilgrim" or "graceman." Herbert, I–51; *Ord.* 281.

[3] Also called purveyors, keepers, overseers, or surveyors.

[4] Herbert, I–53. The forerunners of the Courts of Assistants.

[5] *Mem.* 232; *Rot. Orig. Abbrev.* II–149b; Merew. and St. 968, in Shrewsbury.

[6] Committed by Brentano, cxxiv.

not until the crafts became wealthy corporations in the fifteenth century that hospitals were founded and the charitable spirit occupied a more important share in the counsels. The true significance of the crafts was economic, not social, and their function was by no means that of a purely private society animated with feelings of love and good-will to all. The true explanation is very different.

Membership in the guild in the period of their prosperity depended on full citizenship.[1] But the exclusion of strangers cannot be explained, as has been thought, by any imagined political tendency of the crafts. The non-citizens, whether aliens or simple strangers, enjoyed but a precarious position in mediæval England. On their arrival in town they were compelled to lodge with one of the burgesses assigned to them as host, and responsible for their good behavior.[2] The period of their sojourn was often limited to forty days, and they were allowed to trade only with citizens or members of the merchant-guild, and were subject at fair time to separate tribunals, such as the pie-powder courts.[3] In all cases heavy fines were imposed.[4] The distinction between

---

[1] *Memor.* 179, 227, 239, 245, 247, 258, 321, 391, etc. Articles of the tapicers, spurriers, hatters, glovers, shearmen, furbishers, plumbers, tawyers, etc.; *Lib. Cust.* 83, for the year 1303.

[2] 18 Hen. VI. c. 4; *Lib. Cust.* 68 (*Ordinationes Telariorum* § vii); *Lib de ant. leg.* 118.

[3] *City Charters of Bristol*, 58; *Liber Albus*, 674; *Calend. Rot. Pat.*, 21. Ipswich *Domesday*, 22. The pie-powder courts were held for the "dusty feet," (*pieds poudrés*,) i. e., for those coming from a distance.

[4] "Et qe nulle frank homme de la citee neit compagnie ove homme estraunge, ne avowe merchandise de homme estraunge, par qoy le Roy ne ses bailiffs de la citee perdent la custume de eux." *Liber Albus* 264, 289.

freeman and foreigner is strongly accentuated in the general laws and all the city regulations like those of Worcester, Bristol, Winchester, Ipswich, and the Cinque Ports[1]. It would, indeed, have been unreasonable to admit the stranger to the benefits of municipal privileges without subjecting him to the corresponding duties like that of scot and lot. The exclusion of non-freemen from the crafts was thus not so much the result of any independent action of the guilds, but was a principle of the early common law and sometimes even made obligatory upon the societies by the city regulations.[2] The qualification of freeman was necessarily relaxed in the case of women who were also admitted as members, for certain occupations were almost exclusively conducted by them.[3] The widows of deceased brethren, moreover, continued the trade until they contracted another marriage—a custom we find mentioned in the city constitution of Evesham as late as 1687—in which case they were compelled to abandon the guild and sell the house to some one who practiced the same handicraft.[4]

But participation in the franchise was not enough. A perfect acquaintance with the details of the trade and the desire as well as the ability to produce good work were in all cases preliminary requisites.[5] In

---

[1] *Ord* 383 § 17; *Mon-Jurid*, II-115, 147; *Arch. Journal*, IX-89; Lynn (App. Vol. II) *Customals of Winchester, Chicca, Dover, Sandwich, &c.*

[2] "Et que nulle prentiz apres sonn terme parcomply use soun misteer en la citee einz qil soit jure a la franchise." *Lib. Albus* 272. Cf. the exclusion of non-freemen from trade in Leicester as late as 1749. Thresby, II-152.

[3] Herbert, I-423; 37 Ed. III. c. 6; Leges Burgorum c. 89; *Hist. Doc.* 282.

[4] *Lib. Cust.* 124, 130; Merew. and St. 1831.

[5] *Mem.* 244, 258, 281, 547, 570, etc.

fact the main provisions of the craft, the very soul of its constitution, were the regulations intended to ensure the excellence of the products and the capacity of the workman. The ordinances almost invariably commence with a recital of the various subterfuges employed by knavish artificers to deceive the public. As a consequence articles are drawn up to abolish the mischievous practices by providing for the establishment of the wardens, to whom is delegated the duty of carefully scrutinizing the craftsmen's handiwork.[1] They are expected to make an impartial and inquisitorial examination, and in case of detecting any work imperfect, either by reason of roguery or negligence, to confiscate the goods with an unsparing hand and to bring the offender to justice. This duty they performed so zealously as even to enter the royal palaces in search of fraudulent workmen, until the monarchs assumed to consider this an unwarrantable encroachment on the royal prerogative and forbade them in future from "mallapertlye viewing what his majestie had a-making."[2] In order to facilitate the search it was incumbent upon the artisans of each particular craft to inhabit definite quarters of the city and not elude the vigilance of the inspectors by distributing themselves in outlying or semi-concealed apartments.[3]

The whole character of the craft guild is explained by these regulations, designed to prevent fraud and deception of the public. But it was due to the compulsion of the city authorities rather than to any

[1] "Jurati ad faciendum scrutinium." *Lib. Cust.* 104; Cf. *Mem.* 292.

[2] *Proceed. Privy Council*, VII–288. This occurred as late as 1541.

[3] *Stephanides* § 12; *Mem.* 180, 360, 330. In Reading each of the five wards had its particular guild. Reader, 52.

philanthropic anxiety on the part of the trades. Carefully ascertained rules as to the exact proportion and quality of the raw materials were prescribed with great minuteness; the mixing of good and bad wares was strictly prohibited, and the greatest care was exercised in the selection of proper tools. Not only was a separation of different employments commanded,[1] but the various branches of the same trade were even kept distinct, as, for instance, the cordwainers and cobblers. "If any one has to do with old shoes he shall not meddle with new shoes among the old, in deceit of the common people and to the scandal of the trade."[2] Such provisions were but natural, for effectual supervision would have been impossible where the shop was littered with a multitude of entirely diverse materials, affording increased facilities for the commission of fraud; while an embarrassing factor would have been added by simultaneous membership in different and perhaps opposing guilds.

Similar considerations led to the prohibition of night work or sales by candle-light. Brentano, in conformity with his whole theory, asserts that the real ground was the solicitude for the well being of the guild-brothers, but he flatly contradicts the explicit language of the statutes. The spurriers shall not work after curfew, "by reason that no man can work so neatly by night as by day," and especially because many persons "compass how to practice deception in their work," and introduce false and

[1] E. g. bowyer not to be fletcher, latoner not to be goldsmith, farrier not to be smith. *Mem.* 349, 399, 293.

[2] *Mem.* 392; *Liber Albus* 718, as to old and new clothes (fripperers).

cracked iron for tin and put gilt on false copper.[1] The glovers forbid sales in the evening because "folks cannot have such good knowledge by candle-light as by day, whether the wares are made of good leather or of bad;" the pewterers object to night work because "sight is not as profitable by night, or as certain as by day—to the profit, that is, of the community;" and the cutlers adopt a similar provision on account of the frauds, in that "the wares have not been assigned by the wardens, but sent privily to sell" in different quarters.[2] Already in 1300 this prohibition was imposed upon the weavers by the city authorities.[3] Occasionally the additional reason is given that the nocturnal workmen make too much noise, and thus disturb the neighbors or incur the danger of giving rise to conflagrations.[4] But the chief consideration is, in these as in all the other regulations, the attempt to render all attempts at overreaching the public impossible.

It was, as we saw, imperative on the craftsmen to furnish an adequate guarantee of his fitness to join the guild and produce good work. This guarantee consisted in the fact of a previous apprenticeship and the evidence of a good moral character. For it was correctly presumed that intemperance and debauchery would in general imply mendacity and imposture. The apprenticeship continued as a rule for seven years, but was, in itself, an insufficient security. Defective workmanship indeed was generally

---

[1] *Memorials*, 226.

[2] *Mem.* 219, 246, 343,. Cf. hatters 239, bowyers and fletchers, 348.

[3] *Liber Cust.* 124 § XVI. "Mes qe bien et loialment oevre, et qe el ne oevre pas de nuyt."

[4] *Mem.* 227, 538.

the effect of fraud, not of inability, and the longest apprenticeship could give no security against fraud.[1] It was on this account that the provisions as to morality and probity were adopted, and made applicable to apprentices and journeymen as well as to the members proper. Not only were they required to be of good rule and demeanor,[2] but the most curious by-laws were sometimes enacted to keep the younger men out of mischief. In Newcastle, for instance, they were forbidden to "danse, dyse, carde or mum, or use any gytternes, or use any cut hose, cut shoes, pounced jerkins or any berds."[3] All contraventions were visited at first with fines, then with distraint, or confiscation of tools, and finally with expulsion from the society.[4]

It is, however, utterly erroneous to regard all these provisions, which constitute some of the chief points of the craft organization solely as the independent work of the guilds themselves "which stood like loving mothers providing and assisting at the side of their sons in every circumstance of life."[5] This view could only have arisen through a total neglect to observe the general economy of mediæval society, and through a failure to see that the guilds were no purely private and independent unions, but mere stones in the structure of industrial life, apart from which they cannot be comprehended. The

[1] Adam Smith, *Wealth of Nations*, I. ch. 10.

[2] The apprentice must be "bone fame et honeste conversationis, tractabilis, mansuetus, morigeratus." *Lib. memorandorum* 442: Herbert II-657 § 41: *Mem.* 360.

[3] Brand, II-228.

[4] *Lib. Cust.* 425: Herbert, I-191: *Mem.*, 178, 228: *Ord.*, 156.

[5] Brentano, cxxviii: Green, *Hist.*, 192-194.

middle ages were a period of customary, not of competitive prices, and the idea of permitting agreements to be decided by the individual preferences of vendor or purchaser was absolutely foreign to the jurisprudence of the times. The "higgling of the market" was an impossibility simply because the laws of the market were not left to the free arbitrament of the contracting parties. Under the supposition that the interests of the whole community would be best subserved by avoiding the dangers of an unrestricted competition, the government interfered to ordain periodical enactments of customary or reasonable prices—reasonable, that is to say, for both producer and consumer. Tabulated tariffs and official regulations of all things, from beer to labor, filled the statute books,[1] and it would have seemed preposterous for the producer to ask as much as he could get, or on the contrary to demand less than his neighbor and thus undersell him. The three great offences of mediæval trade were regrating, forestalling and engrossing—buying in order to sell at enhanced prices, intercepting goods and provisions on the way to market to procure them more cheaply, and keeping back wares purchased at wholesale in order to strike a more favorable bargain subsequently.[2] But above all great solicitude was shown for the interest of consumers and every precaution was observed to preclude the possibility of deceiving pur-

[1] Cf. Assisa panis et cervisiae, 51 Hen. III; statutum de pistoribus 13. Ed. I. Also 2 Ed. III; 23 Ed. III; 37 Ed. III; 47 Ed. III, etc.

[2] Cf. *Stat.* 5 and 6 Ed. VI c. 14; Old usages of Winchester in *Ord.* 353. The last term is the origin of the word grocer acc. to 37 Ed. III c. 5. The merchants are called "grossers because they do ingross all manner of merchandise vendible, and suddenly do enhance the price....."

chasers. It was deemed of paramount importance to watch over every stage of the production, and the government, far from being antagonistic to the formation of the crafts, usually compelled the workmen to frame ordinances in keeping with this economic policy. The authorities even went further, and in those cases where no anterior organization had existed or where the guild administration was imperfect, imposed general regulations on the artisans which they were compelled to follow in their guilds.[1]

The guild rules were therefore only part and parcel of the common laws, and not merely the independent work of the crafts themselves.[2] This was as true of the system of apprenticeship as we have seen it to be of the other provisions. As far back as King Alfred it was provided that slaves should be freed in the seventh year of their bondage, and the same provision extended to Scotland, for in the laws of King David I. we find the statement that native bondmen who had escaped could be reclaimed by their lord only for seven years.[3] Seven years' service was regarded as a qualification of admission into the franchise and applied to all inhabitants, whether artisans or not; and as the custom arose of compelling all handicraftsmen to be citizens, what had originally been a general law was now adopted by the guilds. The seven years' apprenticeship now enabled the applicant to become a burgess and at the same time a guild member. But it was no new

[1] 37 Ed. III c. 7; 7 Ed. IV c. 1; 19 Hen. VII c. 6; *Regiam majestat.* of crimes and judges), T. 2, c. 18.

[2] Cf. Ochenchowski, 75.

[3] Dooms of Alfred § 11 in Thorpe, *Early L.*, I-47; Leges Burgorum c. 17. This last for the year 1140.

ordinance of the crafts, for the subject is regulated in the urban charters also, and when the guild rules mention it the words "according to the ancient usage of the city" are usually added.[1] And just as the sons of burgesses were admitted to the liberties with the single condition that they should dwell in the town, so the sons of guildsmen were exempted from the necessity of the seven years' apprenticeship.[2] The indentures, moreover, were necessary by the common law, and the enrollment invariably took place at the court leet or before the municipal authorities.[3] In many cases the local customs prevented villeins from binding their sons as apprentices, but this only exemplifies the exclusiveness of the town communities and the general tenor of the law, not any spontaneous action of the crafts.[4]

The remaining features of the guild manifest the same dependence on the laws of the realm. The severance of occupations was imposed upon the trades, not spontaneously adopted by them, and the mediæval statutes teem with provisions of this nature, as, for instance, that shoemakers shall not be tanners, brewers not be coopers, cordwainers not be curriers, butchers not be cooks, drapers not be "litsters,"[5] while a statute of 1363 admonishes all artificers and

---

[1] *Liber Albus*, 157, 272; *Lib. Memorand.* 442; *Memor.* 282.

[2] *Ordinances of Worcester* § 35 in *Ord.* 390.

[3] *Lib. Cust.* 93; *Lib. Albus* 655; Mer. and St. 722–727; *Ord.* 390.

[4] "Quod antiquitus nullus factus fuit apprenticius nec saltem admissus fuit in libertatem civitatis, nisi cognitus fuerat esse liberæ conditionis." *Liber Albus* 33, 452; *Stat.* 8 Hen. VI c. 11; Northouck, 107 as to the quality of gentleman; for Lynn and Yarmouth, Mer. and St., 762, 1169.

[5] Rich. II. c. 12; 1 Hen. VII c. 5; 19 Hen. VII c. 19; 23 Hen. VIII. c. 4; *Regiam Maj.* (of crimes, etc.) Tit. 4 c. 22; *Ord.* 405.

handicraft people to use only one mystery or occupation.[1] And whether the dominant idea was to prevent fraud or hinder high prices, the fact remains that the provisions emanated from the government and not from the crafts. In like manner the restriction of the number of apprentices and workmen, examples of which are rarely found in the early guild-laws, was not due alone to a desire to limit competition, but principally to the fact that all members were responsible for the actions of their assistants and that the administrative authorities objected to the employment of a larger number than the master could support and answer for. Thus the regulations of London declare that the masters shall take apprentices only in so far as they are able to support them, and under Henry III. the number of assistant workmen is limited to eight in order that the master may answer for them and the King's peace may not be disturbed.[2]

But the subordination of the guilds to the general laws of the realm constitutes only one-half of the explanation. The other half must be sought in the commanding influence of the towns in economic life.[3] All powers of market and social police were

---

[1] "All artificers and people of mysteries shall each choose his own mystery," and "shall henceforth use no other." 37 Ed. III, c. 6. *Stat.* II-379. This was so strictly enforced that in 1385 Mayor Nicholas Brembre disfranchised seven freemen (haberdashers, weavers and tailors) for pursuing occupations to which they had not been brought up. Herbert, I-30.

[2] "Et que nulle desormes ne preigne apprentice plus qe deux ou trois a plus forsques sicomes il est de poiar de eux sustenir;" *Lib. Albus*, 383. *Liber Memorandorum*, 443: "Quod pax Domini nostri nequaquam lædatur."

[3] Ochenkowski, 64 overlooks this.

from the first massed in the hands of the urban authorities. The one central point of burgensic life was the court leet, for the administrative and criminal jurisdiction was of paramount importance to the maintenance of local liberties. The burghers in their town assemblies enacted a multitude of commercial measures which would have been totally ineffectual without the coöperation of a strong court of penal jurisdiction, and to this court every townsman, whether guild member or no, was amenable. No more fundamental mistake has been made than to ascribe to the craft-guilds an independent jurisdiction,—for this, we may say, was absolutely unknown in England.[1] The matter was substantially the same in the royal towns as well as in those situated in the demesnes of lords and prelates, with the exception that in the latter serious disputes often arose between townsmen and bishops in reference to trade. The sources of contention in Malmesbury, Winchester, Reading, etc., were the encroachments of the episcopal lords in matters pertaining to the crafts. But even there the disputes were conducted by the citizens at large rather than by the individual guilds, and an independent jurisdiction of the guild officers was utterly unthought of.[2] Even in the tailors' guild at Exeter, which attempted to arrogate to itself exclusive powers, the franchises and lawful customs of the city are expressly saved over against the limited jurisdiction of the crafts.[3]

In London the matter is still clearer, for although

[1] "The handicraftsmen retained everywhere the independent government and jurisdiction over their trade." Brentano, cxxiii.

[2] *Regist. Malmesb.*, II-393; *Arch. Journ.*, VII-374; Coates, 50–55.

[3] *Ordinances*, 306.

in some instances the disputes were preliminarily settled by the wardens,[1] there is not the least trace of any final or independent adjudication. The members are, on the contrary, expressly declared subject to the civic officials, by whose verdict they are often imprisoned.[2] The wardens brought the offenders to the guildhall, and upon satisfactory proof of their guilt the culprits were amerced by the mayor in various sums according to the gravity of the offence, a portion in some cases being reserved to the guild.[3] Especially severe transgressions subjected the guilty party to the pillory, and, as has been said, even to imprisonment; and continued repetition of the offence entailed the utter exclusion from the craft. It was not even necessary for the wardens to present the offender before the municipal court; any one taxed with the commission of fraud, whether by guild-officer or layman, was subjected to punishment. But the craft officials would naturally enjoy more opportunities of detecting the evidences of defective workmanship and were accordingly the usual medium through which the civic administration made its authority felt. The guilds were, therefore, to a certain extent organs of the city government, but entirely subordinated to it, and there can be no question as to their utter lack of an independent jurisdiction. In entire conformity with this subordination of the guilds, the wardens or supervisors were subject

[1] *Mem.* 218, 248; *Liber Cust.* 126. This last document shows the preliminary jurisdiction of the weavers' guild in 1300.

[2] *Mem.* 242, 246, 259, 301, 332, 355, 364, 391, 394, 539, 556, etc.; *Ord.* 332, 337, mention the jurisdiction of mayor and aldermen.

[3] Cutlers, spurriers, pelterers, blacksmiths, brasiers. etc. *Mem.* 217, 227, 328, 538, 636.

to the ratification of the city authorities. It is hence a great mistake to speak of the "complete independence of the craft-guilds, whose right of freely electing a warden was never restricted." At Norwich the mayor could discharge the masters of the crafts at any time.[1] At Exeter the master and warden surrender their powers annually to the head of the city government.[2] In Bristol the "maister of the bakers, brewers, bochers, and all other craftes," must be presented to the mayor and take their oath in his presence.[3] At Great Yarmouth and Lynn the relation was the same, while in York the officers of only three of the powerful corporations were exempted from the necessity of taking their oaths before the mayor,— oaths in which they there as elsewhere pledge themselves not to contravene the laws or city customs and to conform to the ordinances approved by the municipal court.[4]

The predominance of the town laws further appears in the characteristic manner in which the guild articles were framed. The good men of the trade present an humble petition to the mayor, and if that functionary deems the proposed ordinances conducive to the common welfare, he accords the desired permission. Sometimes, however, the articles were ordained by the city quite irrespective of the initiation of the crafts, the regulations being enacted as simple manifestations of the police power to which all inhabitants were equally subject. The municipal

[1] Blomefield, II-130.

[2] *Ordinances*, 334.

[3] Office of the mayor of Bristol in *Ord.* 420 (§ 16). Cf. 246.

[4] Drake, 224; *Stat.* 14 and 15 Hen. VIII. c. 3. Sacramentum magistrorum et gardianum misterarum in *Liber Albus*, 527.

ordinances thus essentially corresponded with the provisions of the guilds themselves. In all those occupations concerned with the preparation of articles of food the urban measures were still more stringent, and the town officers had plenary powers whether the wardens stood at their side or not. The ale-conners, *e. g.*, were to keep a sharp lookout on the brewers, cooks, bakers and petty hucksters, "put a reasonable price, at their discretion," on the commodities, and prevent all fraudulent dealing.[1] Thus the London bakers at one time "skulk like foxes so as not to be found by the officers of the city in case their loaves shall be found deficient," in consequence of which rigorous measures were adopted; later on the right of search was taken from the wardens (to whom it seems to have been given in the interim), and the craftsmen were ordered to obey the mayor "after the old usage and customs of the laws."[2] In Winchester also some of the bakers "by sotill meanes for their syngler weale to the comyn hurt of the residew get the sale of all biscatt into their handes" and the attempted frauds lead to their strict regulation by the city.[3] The municipal flesh-sayers and fish-sayers had analagous duties to perform, and the wardens of many crafts were expressly required to be accompanied by officers of the mayor.[4]

The provisions as to the reception of strangers, pursuing a certain trade, as freemen of the city, are susceptible of a similar explanation. The enfran-

[1] Oath of the Ale-Conners in *Liber Albus*, 316.

[2] Ibid. lxxi; *Proceed. Privy Council*, V-196.

[3] *Brit. Archæol. Asso.* II-22.

[4] As to the fish-sayer, flesh-sayer and ale-taster in Leicester see Nicholls, II-376; *Ord.* 336; 23 Henry VIII. c. 4. § 7; *Mem.* passim.

chisement of a foreigner (in the mediæval sense) enabled him to carry on the trade. The city therefore accorded the privilege to those of the would-be craftsmen only whom the wardens declared of ability and good repute; for the grant of the franchise without any such condition would have flooded the trades with untrustworthy artisans, and thus defeated the very object for which the crafts were recognized by the city—namely, as valuable assistants to the industrial order. The guilds themselves were the best judges of individual sufficiency, and the interests of town and craft here coincided. For the town, with its regard for the interests of consumers, would lead the efforts of the guild to keep bad workmen aloof from the trade. We accordingly find in the city charters, as well as in the craft ordinances, the provision that any artisan, coveting participation in the franchise, should be examined by the good folks who rule the trade, and who would thereafter be answerable for all his actions.[1] But, in order to prevent any abuse of this privilege, the examination took place before the city authorities, and the guilds took a pledge not to refuse admission, through a spirit of malice or monopoly, to any one otherwise properly qualified.[2] This precaution was in the main sufficient to check the crafts from giving rein to the spirit of selfish and unjustifiable exclusion, although one of the chief charges brought later on against the London weavers was to the effect that they would admit no one without an

[1] City Charters in *Lib. Cust.* 269, 270; *Liber Albus*, 142, 495. Brælers and Spurriers in *Mem.* 228, 277.

[2] Articles of the Furbishers, *Mem.* 258.

exorbitant fine, pursuing their malicious machinations in order to artificially enhance prices and seek their own private gain at the expense of the public welfare.[1]

The few remaining guild-laws for which artificial explanations have been attempted can again be understood only by keeping in mind their utter dependence on the municipalities. Thus the provision that if any member purchase commodities fit for use by the trade, every other member may participate in the bargain and compel the purchaser to give him a share,[2] is by no means a proof of the self-sacrificing spirit of the brethren. It is simply a penalty for transgressing the city laws against engrossing, the policy of which prohibited both underselling and overcharging. The identical provision occurs in the earliest custumals of the towns, and was copied from them into the by-laws of the guilds.[3] So also as to the regulation that if a workman has contracted to finish a piece of work and is unable to keep the agreement, the members shall aid him. Far from being an outburst of loving feeling, this is simply a punishment for those who have wilfully and falsely guaranteed the ability of a workman whose inca-

[1] "Quod neminem in eorum gildam recipere curant nisi gravitur redimatur, malitiose machinantes," etc. etc. *Lib. Cust.*, 421; *Plac. de q. W.* 466. In 1331.

[2] "That no one for any singular profit shall engross lead coming to the city for sale.... but that all persons of the said trade, as well poor as rich, who may wish, shall be partners therein at their desire." *Mem.* 322; *Ord.* 210, for Worcester; guild-merchant at Berwick, in *Ord.* 345 § 37.

[3] "If any merchant, neighbor or stranger, bring any merchandise to sell in the town, all the freemen shall have a part if they claim part." Custumal of Rye § 59, 51, 57; of Winchelsea § 38, 39, in Lyon, app.

pacity they were in duty bound to know. For the civic magnates here again were determined to prevent the employer from being disappointed or defrauded through any fault of the artisan.[1] A similar enactment existed in the Scotch laws, as applicable to all the craft-guilds, and it is significant that the provision did not originate with the guilds, but was imposed upon them as a police measure.[2]

The true nature of the craft-guild can now be clearly perceived. It was no protective guild or outgrowth of the guild-merchant, no combination of oppressed plebeians struggling against the patricians and imbued with a spirit of fraternal affection, to which the economic function was subordinate and superadded. Above all, it was no purely voluntary union which gained a complete independence of the town or an entire mastery over the inhabitants. On the contrary, the craft-guild was a union of artisans for purely economic purposes, but always subordinate to the general laws and municipal administration. Although its early development may have been in a great measure autonomous, it was recognized by the city authorities because a useful auxiliary in maintaining and executing the police measures. And although the guild afforded an incidental protection to its members through the usual advantages of all union, it was something far more than a mere private society. In its character as a municipal organ it was frequently called upon to furnish mili-

[1] *Memorials*, Masons, 281.

[2] *Regiam Maj.* (of crimes, &c). Tit. 5, c. 30; tit. 2, c. 19; tit. 4, c. 27: "Craftisman quha beginnes ane work and delaies to end the same sall make no impediment to ane other of the samin craft to end the samin work under paine of tinsell (loss) of their friedom."

tary contingents, and to perform its share of the "watch and ward."[1] A link in the great chain of economic development, it can be understood only in conjunction with the whole theory of mediæval economic policy. Its main features were impressed from without rather than evolved from within,—the result of compulsory obedience to the general principles of town and state rather than the elaboration of peculiarities inherent in the guilds as associations which breathed the spirit of peace and good will to all. But before passing a final verdict upon their influence in shaping the destiny of the mediæval artisan it will be necessary to cast a glance at the relations of master and workman and note how far the grave social problem confronting modern society existed or was met by the mediæval unions.

§ 3.

Industrial Relations.

The line of demarkation so sharply defined to-day between a capitalistic and a laboring class was not yet drawn in the early period of mediæval industry. For centuries far into the middle ages there was a period of rude plenty, but of no opulence. The burgesses were on a similar footing, and the comparative equality of wealth among the town citizens at first went hand in hand with the parity of political rights. Specialization of industry and division of labor were still in a rudimentary condition, for producer, middleman and retailer were not yet differen-

[1] Ordinance of 1370 in *Memorials* 345: Herbert, I-122: Maitland, I-216.

tiated. The artisan bought his materials, fashioned his products and displayed his finished wares for sale on the counter of his little shop, or on the rough boards of the booths at fair time. If his business increased to a sufficient extent he received two or three apprentices, and in case of need a certain number of additional workmen or journeymen. But there was no monopoly or exaggerated exclusiveness. Any one could become apprentice, and the number was limited only by the ability of the master to support them or by considerations of a police nature. The apprentice formed a member of the master's family. For the principles of the law of parent and child were made applicable to a certain extent, and all responsibility for purchases of the apprentices as well as for their behavior were imposed on the masters by city ordinance.[1] From one of the indentures that have been preserved we can obtain a clear view of his position. The apprentice is to keep his master's secrets, do him no injury nor commit excessive waste on his goods. He is not to frequent taverns, commit fornication or adultery with the housemaids or in town, nor betroth himself without his master's permission. He is not to wear certain garments, play at dice, chequers, or any other unlawful game, but is to conduct himself soberly and piously as a good and faithful servant, or in default to serve double time. The master, on the other hand, agrees to find him in all necessaries, food, clothing, bed, and so on, for four years. In the fifth year he finds himself, but receives twenty shillings and the tools of the trade; and in the sixth year he

[1] De servientibus, ementibus Mercandisas et Bona. *Liber Albus* 286; *Hist. Doc.* 242.

gets forty shillings but finds his own tools. The master agrees on his side to teach him the craft without any concealment.[1] The oftentimes curious rules to ensure the good morals and proper demeanor have been touched on above. This strict supervision could not have been but galling to the young men, as is proved by several amusing examples.[2] But there was no general clashing of interests, no endeavor to exclude the apprentice of proper character. Everyone became in time shopkeeper and master, provided he possessed the requisite ability.

The condition of the workmen proper was essentially similar. They were known by the various names of varlet, sergeaunt, yeoman, garson, bachelor, allowe and journeyman,[3] and were taken for any stipulated period, although probably at first engaged by the day as the last term implies. Restrictions were rarely placed on their number; but the necessities of a small household would in general preclude the master from employing more than a limited number. When any positive limitation was ordained it was at first rather the exercise of the city police power

---

[1]Indenture of 1409 in Madox, *Formulare Anglican.*, 98. One of 1451 is translated in Rogers, *Agric. and Prices*, IV-98.

[2]Herbert, I-424; II-35, 168. Cf. 19 Hen. VII c. 4; 19 Hen. VII. c. 12.

[3]Varlet or vadleti—French valet; sergeaunt or serjaunt overour —ouvrier; garson—garçon; allowe or allowsman (Herbert, II-181, 193)—alloué (who differed from valet in that the one had passed through an apprenticeship, the other not. Ordin. of the Forcetiers. Livre des Métiers, 359). Bachelor—German Geselle, Junggeselle. Yeoman is an abbreviation of young man. The term soudeier (solidarius) is once used in *Lib. Cust.* 79, § 6. Journeyman comes from jour, journée. The Latin names were garcio, vallettus, serviens.

than the result of any attempted monopoly. They were well cared for in the craft ordinances themselves and as regards the necessaries of life, were so especially well treated that the government felt impelled to interfere occasionally and extend the sumptuary laws to them.[1] All possible disputes were settled primarily by the wardens, some of whom were in certain crafts chosen from the ranks of the journeymen themselves.[2] If the master refused to give the stipulated wages, the wardens forbade him to work until the obligation should be fulfilled. The journeyman was likewise protected against other exactions on the part of unscrupulous masters, such as attempts to compel him to serve beyond his time or against his will, while a stimulus was given to loyal fidelity by prescribing assistance out of the guild funds in case of illness or misfortune.[3] On the other hand, if the workman was disobedient or endeavored to overreach his master in any way, he incurred fine and punishment. The standard of morality was not all too high, and the reason advanced for shutting the shops on Sunday is, that the "journeymen and apprentices had wasted and purloined the property of their masters while they have been attending at their parish churches."[4] Hence the necessity of regulations and of subjecting the assistants to stringent penalties in case of perversity. Such provisions appear perfectly justifiable when it is remembered that the masters were respon-

---

[1] 37 Ed. III., c. 8, c. 11, as to the yeomen and servants of artificers or people of handicraft.

[2] *Ord.* 332; *Mem.* 634.

[3] Alien Weavers, Founders, Braelers, in *Memorials*, 307, 514, 277.

[4] *Memor.* 218, 245.

sible as head workmen for the quality of the wares and the conduct of their assistants, and that personal supervision could be rendered searching only by the strict accountability of the subordinates.

But a conflict of interests was in general unknown. The journeyman always looked forward to the period when he would be admitted to the freedom of the trade. This was a rule not difficult for an expert workman to attain. No insuperable obstacle was thrown into his path. In fact, there was no superabundance of skilled labor at this time. It was a period of supremacy of labor over capital, and the master, although nominally so called, was less an employer than one of the employed. Toiling by the side of his assistants and in reality falling into one category with them, he was subject to the same vicissitudes of economic life. The relations were in the main harmonious, and there was thus no wage-earning class as distinguished from the employers or capitalists and arrayed in hostility against them.

Naturally, however, there were sporadic cases of disaffection on the part of individual workmen against imagined or perhaps real maltreatment by the master. These cases no doubt existed from the earliest period. Thus in 1303, in one of the earliest craft ordinances that we possess, the journeymen cordwainers of London are forbidden to assemble or make any provisions prejudicial to their masters or to the public.[1] In 1350 again it is related, that in

[1]Ordinatio Renovata § 7, in *Lib. Cust.*, 84: "Defendu est qe les serjauntz overours de la cordewanerie, ne autres, ne facent nul congregacioun par faire purveaunce qe soit prejudice au mester et damage au commun people; sur peyne denprisonment."

case of a dispute between a master-shearman and his "vadlett," the latter had been accustomed to go to his associates, and by "covin and conspiracy" so arrange it that no one should work for his own master until the matter had been substantially settled; in future, however, the disagreements are to be arranged, as in the other trades, by the wardens.[1] But although this, as well as the similar case of the journeymen weavers in 1362,[2] resembles to a certain degree our modern strike and boycott, it is not indicative of any general banding together of the yeomen against the employers.

For although the journeymen and apprentices here and there formed associations of their own, these were simple fraternities of a social character. As on the Continent, they were considered quite harmless and in most cases freely permitted. Sometimes, however, they were prohibited, as tending to weaken the paternal authority of the craftsmen. The "congregations" of the journeymen cordwainers above were doubtless of this class and continued to exist, for over three-quarters of a century later they are again charged with making an illegal fraternity for which they sought a confirmation from the Pope.[3] The general proclamation of 1383 was however not directed especially against such associations, as has been represented. For this forbade conspiracies and combinations of all kinds,

---

[1] *Memorials*, 247.

[2] *Memorials*, 306.

[3] Ibid., 495.

and did not mention the workmen at all.[1] Probably the regulation was designed to prevent the recurrence of such riots as had taken place during Wat Tyler's uprising, in 1381. The character of the early journeymen's guilds is shown by their fraternities in Coventry, where the journeymen or young people of various trades, "observing what merry meetings and feasts their masters had, themselves wanted the like pleasure, and did therefore of their own accord assemble together, and for their better conjunction make choice of a master with clerks and officers."[2] But as this was found to be to "the prejudice of the other guilds and disturbance of the city," the mayor and citizens petitioned the king, in 1425 to abolish them.

The journeymen saddlers in London had also formed a fraternity during the fourteenth century, but in 1396 the masters complained that the men deserted their work too often in order to attend the vigils of their deceased brethren, and to make offerings for them on the morrow,—occurrences which were made the occasion of much carousing.[3] So also the "yomen—taillours," composed of the servingmen and journeymen formed an assembly and inhabited houses in a certain district of the city in contradiction of their masters' wishes. Ad-

[1] "That no man make none congregacions conventicles ne assembles of peoples in prive neu apert.....ne over more in none manere ne make alliances, confederacies, conspiracies, ne obligaciouns forto bynde men togidre forto susteyne eny quereles in lyvingge and deyingge togidre." *Memorials*, 480. Brentano hence errs.

[2] *Rotuli Clausorum*, 3 Hen. VI; Dugdale, 125.

[3] *Mem.* 542. A precisely similar complaint is made in France. *Ordonnances*, V-596.

vantage having been taken of this to create several disturbances and to adopt a livery of their own, they were enjoined by the city officers from "committing and perpetrating so harmfully such evils and misdeeds" and admonished to obey the wardens and masters. But this again was no manifestation of any class antagonism. It is especially stated that the journeymen were mere youths.[1] There were no men of mature age in their ranks, for the simple reason that at this period, the beginning of the fifteenth century, it was still possible for every workman to become a master, the one grade passing naturally and by an easy stage into the other. We thus see in the account nothing but the evidence of youthful insubordination. The fraternity moreover, probably after having mended its ways, continued to exist.

The journeymen's associations which seem to have been quite common (for the statute of 1402 speaks of "fraternities or guilds of servants" in general)[2] were thus mere social brotherhoods, formed by the young "desirous of merry meetings and feasts." It is not permissible to cite them as proving any conflict between labor and capital at this period. The unions were everywhere confined to the youths who in turn gradually became masters and were enrolled as full members of the craft-guild proper.

This virtual identity of interests and the predominance of labor continued until the close of the fifteenth and commencement of the sixteenth cen-

---

[1] "Journeymen and servingmen like a race at once youthful and unstable," etc. *Mem.* 611.

[2] 26 Rich. II.

turies. It has, indeed, been asserted[1] that the plague of 1348–9 brought the opposition between the working class and the employers, between labor and capital to a crisis. But this is an error and antedates the true course of events by at least a century. The celebrated Statutes of Laborers, passed immediately after the pestilence, were intended to check the immense increase in the rate of wages which followed as a natural result of the dearth of workmen. They strictly defined the amount which farm laborers as well as all manner of artisans were to take for their services, and referred as a standard to the rates prevalent in 1346, the last year of great plenty and cheapness before the plague. To regard these statutes as harsh and iniquitous enactments unjustifiably oppressing the workmen is erroneous, because prices as well as wages were regulated.[2] The provisions extended to all classes of traders and merchants as well as to the artisans, and were nothing but a manifestation of the mediæval economic policy which made custom and not competition the controlling law. But the opposing view, that the purpose of the law was to protect the poor and the weak, is fanciful; we should suppose that

[1]By Brentano, cxliii. Cunningham, 194 falls into the same error. Weeden, *The Social Law of Labor*, 173, who follows Brentano, is equally incorrect in his statement that the guild statutes before the fourteenth century do not mention workmen as such. The only complete ordinances that we have before 1300, those of the Cappers and Lorimers of London, speak of the emprentiz, serjeaunt, soudeier and servientes. *Liber Cust.* 78, § 4, 6; 101, § 6.

[2]23 Ed. III c. 6. Also 25 Ed. III. In France a similar statute was passed in 1351, which, however, permitted the workmen to take one-third more than before the plague, and which regulated all prices minutely. *Ordonnances*, II-377.

the English parliament was overflowing with love and kindness to the weak and oppressed, and had no aim but to alleviate their distress. Unfortunately the mediæval legislators were not of that stamp, but under the guise of well-sounding phrases generally pursued the selfish interests of the higher classes to which they belonged. In the regulations of 1350 for London we see the truth, half expressed in the words, "to amend and redress the damages, the grievances of the good folks rich and poor,"—so that at all events the enactment was not even ostensibly made in the interests of the poor alone.[1]

But the importance of the statute lies in the fact that while the country workmen mentioned were mere agricultural laborers, the provisions relating to the town artisans included all of the enumerated artificers, masters as well as journeymen. Both are treated alike under the general appellation of workmen or artificers, for it would have been poor policy to reduce the wages of the journeymen simultaneously with allowing the full guild-members to charge for their handiwork as they chose. The misconception has arisen from the use of the word "masters" in the preamble,[2] for it evidently refers in that place only to the landlords and to those of the general public that might have occasion to enlist the services of the craftsmen or guild-member. But there is certainly no intention to draw any distinction between the master-workman and the journey-

[1] Regulations as to wages and prices, *Memorials.* 253.

[2] "Because a great part of the people, and especially of workingmen and servants, late died of the pestilence, many, seeing the necessity of masters, will not serve unless they receive excessive wages," etc. *Stat.* I-307-311.

man, between the two different classes existing in the craft itself, for the list of workmen includes masters in the sense of guild-members as well as others.[1] The fortunes of craftsman and yeoman were still substantially the same; there was no new and vital distinction now appearing for the first time between employer and employed within the craft. Of course the master-artisan was engaged by various members of the population to perform stipulated work, and in this sense there was a distinction between the temporary employer and employed such as had always existed; and it was to regulate this very relation that the statute was adopted. But the question now engaging our attention is a quite different one, namely, was there a capitalist class engaged in production as distinguished from and giving employment to a laboring class as such. The answer cannot be equivocal.

The regulations which were immediately issued in London and other towns serve to attest the truth of the foregoing statement. The prices which the artisans are to take for their work are carefully defined, but the journeymen or "garsons" occur only twice in the long enumeration, and the regulation is manifestly intended for the guild-member or master-workman.[2] And in the succeeding statutes which speak of the laborers and artificers, the master-workmen are always meant, unless, as is rarely the case, especial mention is made of the yeo-

[1] 23 Ed. III, c. 5 simply speaks of "quicumque alii artifices et operarii."

[2] *Memorials*, 253. The master-daubers for instance shall take 5d., the journeymen 3½d., per day.

men.[1] It would, however, have been impossible for the masters to reduce the prices of their own labor without a similar action on the part of their assistants and this accordingly took place without opposition everywhere except among the shearmen, wher the masters petitioned for an equable reduction of the journeymen's wages, and reminded the authorities that they themselves had been treated in a similar manner.[2] We see, then, that it is entirely incorrect to speak of a general conflict between capital and labor at this period.

Even in the trade of masons, which has been brought prominently forward as tending to prove a class antagonism, the relation was still similar. The statutes which forbid combinations among the masons and carpenters were not directed against the journeymen, as has been asserted, but against the masters themselves.[3] The reason is expressly stated to be the infringement of the statute of laborers which, as we know, prescribed the prices of the masters' labor. The masons, or free-masons, were probably regarded with peculiar disfavor on account of their curious solemnities, which were often declared blasphemous in France and elsewhere; but their growth was nevertheless fostered by the church authorities because of their great aid in constructing the cathedrals. In 1429 a lodge of free-masons was initiated by the archbishop of Canterbury himself.[4]

[1] E. g. 34 Ed. III, c. 9; 37 Ed. III. c. 6, where artificers or handicraft people occur, and opposed in c. 9 to the yeomen.

[2] *Memorials*, 250.

[3] "That all alliances and covins of masons and carpenters, and congregations, chapters, ordinances and oaths betwixt them made, or to be made, shall be void and wholly annulled."—Ed. III. c 9 (1360). Cf. for the reason 3 Hen. VI. c. 1 (1427).

[4] *Hist. of Freemasonry*, 95.

There is no evidence that the number of dependent workmen was so much greater in this trade than in any other, and the most superficial glance into the archives and statutes of the middle ages will show that the legal regulations of wages referred not only to the building trades but to every conceivable and well-known occupation, and thus do not "indicate the peculiar position of these trades." The royal mandate of 1353, moreover, as to the workmen engaged in building the palace of Westminster, does not by any means tell us of a strike, but simply speaks of the withdrawal of certain workmen without the permission of the king, and of their accepting employment in other places.[2] They were patently master-masons, for it would have been out of the question for the journeymen to make independent contracts of service with any members of the public. The crown objected to the masons seeking work elsewhere because it had for centuries claimed the right of commanding the labor of any of its subjects,[3] just as during this century it still impressed seamen into its service. But there was no strike or opposition between master and workman in the modern sense. The city enactments of the period treated them alike with the exception that masters were permitted to take slightly more than the jour-

---

[1] Brentano, cxlv.

[2] *Mem.* 271. "Whereas many workmen and laborers who were retained upon our works....and were receiving our wages, have withdrawn from such our works without leave, and have been received to work for divers men of the city and county," etc., etc.

[3] See the curious case of a joiner ordered to "coom to the king's worcke," in 1541, and his excuses for delay. *Proceed. Privy Council* VII-254.

neymen for their exertions. But the restrictions applied equally to both classes, for they were still all in effect laborers, although, it is true, of different grades.[1]

We are now in a position to form a judgment of the merits of the craft-guild system in its prime, from the twelfth to the fifteenth or sixteenth century. The guilds were, on the whole, admirably adapted to the necessities of the period, and their faults were those common to all mediæval economic institutions. Primarily intended as an organization of the independent middle class, the crafts were useful adjuncts in upholding industrial order, and, on the whole, did not prove untrue to their task as organs for the transmission of skill and probity from generation to generation. The apprentice and journeyman found in the guild a school well calculated to fit them for their future career, and, treated as members of the family union, they were taught the value of self-restraint and impressed with the feeling of necessity for self-improvement. The possibility of reaching the goal of complete independence, attainable by all without exception, acted as a stimulus to good behavior and honest workmanship, while the harmonious relations in the workshop and the absence of any serious class opposition inculcated many a valuable lesson capable of being turned to account in later life.

The craft-guilds, it is true, imposed many limita-

---

[1]Cf. the carpenters, masons, plasterers, daubers, tilers and "lour servauntz." *Liber Albus* 728; the tilers and "lour garsons," *Ib.* 729, repetitions of the order made under Ed. I. *Liber Cust.* 99, where the employer gives the master-workman meals in part payment.—See also Ochenchowski, 117.

tions on the members. In pursuance of the general spirit of mediæval legislation they prevented an undue competition and thus rendered any individual opulence impossible. They entered into minute and often unwise regulations of manufacture, and surrounded the artificers with a network of galling restrictions. But they strove to ensure honesty and satisfaction, and did not, as might be supposed, prove a serious drag on the progress of industry. For this was, after all, conditioned rather by the general laws than by any independent achievement of the guilds. The small handicraftsman felt his honor involved in maintaining the good traditions of his predecessors; and possibly because the organization preserved him from a continual struggle for existence and ensured a comparatively contented life, he endeavored to increase his efficiency and to take an honest pride in the creations of his own industry. But the secret of the success of the guild, and of the absence of any serious social struggles, lies in the fact that every workman either was, or could in time become, his own master. Acting as his own employer, and thrown into direct contact with the consumers, he was enabled to take advantage of the improvement made in the methods of production, and to reap the benefits for himself. In other words, he enjoyed both wages and profits, and in this character of profit-taker he kept pace with the progress of industry. It was a period of the predominance of labor over capital, but still there was a coöperation between the two elements. The chief value of the craft-guilds viewed from this standpoint was constituted by the fact that they favored the possession of a small capital by the workman himself. This consideration

becomes important in the light of modern problems, for the guilds thus in part realized the Ultima Thule of present industrial aspirations,—the system of productive coöperation. And although the conditions have been too materially altered to make a new birth of the craft-guilds either possible or desirable, their earlier history would tend to show that the main principle which underlay their economic prosperity is still capable of being infused with a new vigor that may one day revolutionize existing relations.

The limits of this essay will not permit us to trace the later fortunes of the crafts, their gradual degeneration and final decay in the succeeding centuries, nor to institute any comparison with the continental guilds in this place. We shall be satisfied to have thrown some light on the real nature and position of the guilds-merchant and their connection with the towns, as well as to have shown that the hitherto accepted views as to the origin and function of the craft-guilds are in a great measure erroneous. The guild-merchant had by no means the influence ascribed to it in municipal development; and the craft-guild, although incontestably ameliorating the condition of the mediæval laborer, had its chief characteristics impressed from without, performing a valuable service in upholding industrial order, and escaping any class antagonism in the period of its prosperity rather by the natural force of external circumstances than by any conscious and independent action of its own.

APPENDIX.

On the Etymology of Guild.

The word guild (gild, gyld, gilde, gylde, ghilde, gield, gylda, gilda, gulda, gildona, ghildonia, gellonia) is used in the early documents in three senses: contribution, feast, and association. Of these the first is the primary signification. The root is found in the Anglo-Saxon gylden, or geldan, "to pay," and in this sense of payment or money compensation the term occurs in the early laws and far down into the Norman epoch. As examples compare the following: Wergeld or wergild,[1] the penalty paid for murder; angylde,[2] the simple value of the article stolen; theofgild, the penalty paid by thieves; hydgylde[3] the payment made by slaves as a substitute for flogging; ceap gild,[4] the marketprice or money equivalent; deovlum-gelda,[5] payment or offering to the devil, and the common dane-gild. The word guild is also used alone in the sense of money penalty.[6] In Domesday the word geldare, "to pay," is used on almost every page, as also the term gilda, or "payment to the king,"[7] and geldabilis (guildable), "liable

[1] Æthelbirht c. 31 (Thorpe, *Ancient Laws*, 11). Cf. Leod-geld c. 7.
[2] Alfred, c. 6 (Thorpe, 67).
[3] Ine, c. 2 (Thorpe, 105).
[4] *Judic. civit. London.* c. 1 § 4 and Æthelstan, c. 19 (Thorpe, 229, 209).
[5] Wihtraed, c. 12 (Thorpe, 41).
[6] Æthelstan, c. 19.
[7] "In gildam de Dovere" I-11b, fol. 108b. "Hoc Burgum non geldat nisi quando Exonia geldat, et tunc reddat xi denarios pro geldo."

to pay."[1] The word guild occurs in this sense far into the Middle Ages. Cf. "quietus ab omnibus gildis" in the laws of Henry I.[2] and "gulda," or "guda," in the same signification in the Hundred Rolls.[3] The "guildable" is the district from which these payments are raised. This was the original meaning in all Teutonic tongues: Gothic gild, Danish gield, old German gelten, modern German geld.

As a distinctive feature of the early unions was the common contribution, the word gild was naturally and gradually applied to the society itself as well as to the banquets and festivities whose expenses were defrayed by common payments. Brentano (lxviii) inverts cause and effect in asserting the original meaning to be a sacrificial meal. Sacrifice, moreover, has nothing to do with the primary meaning. Gilde to-day yet signifies a banquet in Danish,[4] and is probably used in the sense of festivity in the laws of Hen. I., "in omni potacione vel gylde."[5] The use of the term in later times in the phrase "meadow-guild" has been explained above.[6] Some writers who have failed to notice these three distinct meanings imagine that the word always implies a real association; others, on the contrary, exaggerate the primary signification and scarcely allow the idea of union to come to the foreground at all.[7] Both extremes are

---

[1]Cf. fol. 20 and 262. Cf. *Stat.* 11 Hen. VII. c. 9 (1495) "The lands shall be gildable." Also Madox, *Firma B.*, 80.

[2]II § 3 (Thorpe, 501).

[3]*Rot. Hund.* 193. *Archæol. Jour.* VIII-411. "Ad geldam et Scottum" Madox, *F. B.*, 273.

[4]Wilda, 9, 18.

[5]Thorpe, *Ancient Laws*, I-588.

[6]Cf. p. 47.

[7]Lappenberg, *Gesch.*, I-609, Merew. and Steph. I,-82 *et passim*.

incorrect. Hensleigh Wedgewood gives a fantastic derivation from the Welsh "gwyl," a holiday.[1] Sullivan connects it with the Irish "gial," a pledge.[2] But these are farfetched explanations and unnecessary, The word having obtained its general meaning of "society," was naturally applied to both merchant and craft guild, although their aims were quite different from those of the Anglo-Saxon unions and social fraternities.

---

[1] *English Etymology*, I-19.

[2] O'Curry's *Irish*, I-ccxvi. Cf. in general Thorpe, Ducange, Spelman, *Glossary*, *s. v.*; Merew. and St. 14, 294, 353, 600; Lucy Smith in *Ord.* xix; Schmid, Index, 603; Wilda, cap. 1; Hartwig; Feith, (*De Gildis Groninganis.*)

LIST OF AUTHORITIES.

ABBREV. PLACIT., Placitorum Abbreviatio in domo capitulari westmon. asservatarum. London, 1811.

ALLEN, A new and complete history of the County of York. London, 1831.

ANDERSON, An historical and chronological Deduction of the Origin of Commerce. 2 vols. London, 1764.

ANGLO-SAXON CHRONICLE, ed. Benj. Thorpe. 2 vols. Lond 1861.

ARCHÆOLOGIA, Published by the Society of Antiquaries of London, from 1770 on to the present.

ARCHÆOLOGICAL Journal, or Journal of the Archæological Institute. London, from 1845 on.

ASHLEY, The Early History of the English Woollen Industry. American Economic Association. 1887.

BAINES, History of Lancaster. 4 vols. 1836.

BARRETT, The History and Antiquities of Bristol. Bristol, 1789.

BLACK BOOK of the Admiralty. 4 vols. esp. vol. II. London, 1873.

BLOMEFIELD, An Essay towards a Topographical History of the County of Norfolk, continued by Parkins. 11 vols. 1805.

BOLDON BUKE, ed. by Greenwell. Surtees Society, 1852.

BRADY, An Historical Treatise of Cities and Burghs. London 1704.

BRAND, The History of Newcastle-on-Tyne. 2 vols. London 1789.

BRENTANO, Introduction to Ordinances of English Guilds. On the History and Development of Guilds. London, 1870.

———, Die Arbeitergilden der Gegenwart. 2 vols. Leipsic, 1871.

BRITISH ARCHÆOLOGICAL ASSOCIATION, second and third meeting. 1846, 1851.

CALEND. ROT. LITT. PAT.; Calendarium Rotulorum Litterarum Patentium. London, 1802.

CHARTERS of Bristol; the City Charters. Bristol, 1806.

CHRONICA JOCELINI de Brakelonde, ed. Rokewoode. Camden Soc. 1840.

CHRONICON PETROBURGENSE, ed. Stapleton. Camden Soc. 1849.

CHRONICLE of London, ed. Nicholas. London, 1827.

CHRONIQUES de London, ed. Aungier. Camden Soc. 1844.

COATES, The History and Antiquities of Reading. London, 1802.

COM. HIST. MSS.; Report of the Royal Commission on Historical Mss. London, from 1870 on.
COOTE, The Romans in Britain. London, 1878.
———, The Ordinances of some Secular Guilds of London. London and Middlesex Archæological Society. Vol. IV.
CORRY, History of Bristol. 1816.
COX, Ancient Parliamentary Elections. London, 1868.
CUNNINGHAM, The Growth of English Industry and Commerce. 1882.
DEERING, Nottinghamia vetus et nova. Nottingham, 1751.
DOMESDAY, Inquisitio Terrarum, or Survey of England. 4 vols. London, 1783.
DOBSON AND HARLAND, A History of Preston Guild, 2d ed. Preston, 1862.
DRAKE, Eboracum. London, 1736.
DUGDALE, The Antiquities of Warwickshire. 2 vols. London, 1730.
DUCANGE, Glossarium ad Scriptores mediæ et infimæ Latinitatis. 6 vols. Paris, 1733; 7 vols. 1840-50.
EDEN, The State of the Poor. 3 vols. London, 1797.
ELLIS. General Introduction to Domesday Book. See Domesday. Also separately. 2 vols. London, 1833.
ELTON, Origin of English History. London, 1882.
FOEDERA, Conventiones, Litteræ, etc. (Rymer.) London, 1816.
FREEMAN, The History of the Norman Conquest. 6 vols. London, 1867-79.
GENTLEMAN'S Magazine, new series. Vol. 35. London, 1852.
GIERKE, Das Deutsche Genossenschaftsrecht. 3 vols. Berlin, 1868-81.
GNEIST, Geschicht des Self-government. Berlin, 1862.
———, Das Englische Verwaltungsrecht. 2 vols. 2d Ed. Berlin, 1867.
GOMME, Traces of the Primitive Village Community. Archæologia. Vol. 46.
GREEN, J. R., Short History of the English People. London, 1878.
———, The Conquest of England. New York, 1884.
GREEN, V., History and Antiquities of Worcester. 2 vols. London, 1796.
GROSS, Gilda Mercatoria. Göttingen, 1883.
HARLAND, Mamecestre. 3 vols. Cheetham Soc. 1861.
HARTWIG, Untersuchungen über die ersten Anfänge des Gildenwesens. Forschungen zur deut. Gesch. Vol. I. Gött., 1862.
HAY, History of Chichester, 1804.
HERBERT,, The History of the 12 Great Livery Companies of London. 2 vols. 1837.

HICKES, Dissertatio Epistolaris ad Barth. Showere. Oxford, 1703.
HILDEBRAND, Jahrbücher für Nationalökonomie und Statistik. From 1861 on.
HIST. DOC., Historic and Municipal Documents of Ireland. London, 1870.
HISTORY of Freemasonry, Anon. Edinburgh, 1804.
HOUARD, Traités sur les coutumes Anglo-Normandes. 4 vols. Rouen, 1776.
HOWELLS, The Conflict of Capital and Labor. London, 1878.
HULLMAN, Städtewesen des Mittelalters. 4 vols. Bonn, 1826.
IZACKE, Remarkable Antiquities of the city of Exeter. 3d ed. London, 1724.
IPSWICH DOMESDAY, in Monumenta Jurid. Vol. II.
KEMBLE, The Saxons in England, 2 vols. London, 1849 (new ed. 1876).
———, Codex Diplomaticus aevi Saxonici. 6 vols. London, 1839-48.
KYD, Treatise on the Law of Corporations. 2 vols. London, 1793.
LABBÉ, Conciliorum omnium collectio P. Labbaei. Ed. Coletus. 23 vols. Geneva, 1728.
LAPPENBERG, Geschichte von England. 2 vols. Hamb. 1834.
———, Urkundliche Geschichte des hansischen Stahlhofs zu London. 1857.
LEGES BURGORUM. See Reg. Majestatem.
LEVASSEUR, Histoire des classes ouvrières en France depuis J. César jusqu' à la Revolution. 2 vols. 1859.
LIBER ALBUS, in the Munimenta Gildhallae Londoniensis. Vol. I. Ed. Riley. 1859.
LIBER CUSTUMARUM, in the Mun. Gild. London. Vol. II. Ed. Riley. 1860.
LIBER MEMORANDORUM, in the Mun. Gild. London. Vol. III. Appendix II. 1862.
LIBER DE ANTIQUIS Legibus, Ed. Stapleton. Camden Society. 1866.
LIBER Wintoniæ, in Domesday. Pt. IV.
LIVRE DES METIERS par Etienne Boileau. (1270) republished in Collection des Documents Inédits sur l' Histoire de France. Ed. Depping. Paris. 1837.
LINGARD, The Antiquities of the Anglo-Saxon Church. 1845.
LYON, History of Dover, with a short account of the Cinque Ports. 2 vols. Dover, 1813.
MADOX, Firma Burgi, an historical essay concerning the cities, towns and boroughs of England. London, 1726.
———, History and antiquities of the Exchequer. 2 vols. London,
———, Formulare Anglicanum. London, 1702.

MACKENZIE, Discriptive and historical account of Newcastle-on-Tyne, 1827.
MAINE, Village Communities. 4th ed. London, 1881.
——, Early History of Institutions. 2d ed. London, 1880.
MAITLAND, History and Survey of London. 2 vols. London, 1756.
MAGNUM Rotulum Scaccarii, Ed. Hunter, (31 Hen. I.) 1833; (2, 3, 4, Hen. II.) 1844; (Rich. I.) 1844.
MAURER, G. L., Geschichte der Städteverfassung in Deutschland. 4 vols. Erlangen, 1869.
MARQUARDSEN, Ueber Haft und Burgschaft bei den Angelsachsen. Erlangen, 1852.
MEREWETHER AND STEPHENS, the History of the Boroughs and Municipal Corporations of the United Kingdom. 3 vols. London, 1835.
MEMORIALS of London and London Life in the XIII., XIV. and XV. Centuries. Ed. Riley. 1868.
MON. GERM. HIST., Monumenta Germaniæ Historica. Ed. Pertz. Leges. Vol. I. Hanover, 1835.
MONUMENTA JURIDICA, The Black Book of the Admiralty. Vol. II. The Domboc of Ipswich. Ed. Travers Twiss. Lond. 1873.
NASSE, Ueber die mittelalterliche Feldgemeinschaft in England. Bonn. 1869. Translated by Ouvry. London, 1871.
NICHOLLS, History and Antiquities of Leicester. 4 vols. Leicester, 1795–1807.
NOORTHOUCK, a new History of London. 1773.
NORFOLK Archæology. Vol. III. Norwich, 1850.
NORTON, Commentaries on the History, Constitution, etc., of London. 3d ed. 1869.
OCHENCHOWSKI, England's wirthschaftliche Entwickelung am Ausgang des Mittelalters. Jena, 1879.
ORD., The original Ordinances of more than 100 early English Gilds. Ed. T. Smith. London, 1870.
ORDONNANCES des Rois de France de la troisième Race. 16 vols. Paris, 1722–1811.
OUIN-LACROIX, Histoire des anciennes Corporations d'Arts et Métiers de la Capitale de la Normandie. Rouen, 1850.
OWEN AND BLAKEWAY, Hist. of Shrewsbury. 2 vols. London, 1825.
PALGRAVE, Rise and Progress of the English Commonwealth. 2 vols. London, 1832.
PALMER, Perlustration of Great Yarmouth. Yarm. 1872.
PEARSON, History of England during the Early and Middle Ages. 2 vols. 1867.

PHILLIPS, Versuch einer Darstellung der Gesch. des angelsächsischen Rechts. Gött. 1825.
PIPE Rolls. See Magnum Rot. Scacc.
PLACITA de quo Warranto. London, 1818.
POLITICAL SCIENCE QUARTERLY, edited by the Faculty of Political Science of Columbia College. New York. From 1886 on.
POULSON, Beverlac. 2 vols. London, 1829.
PRESTON, Custumal of, in Baines. Vol. IV. appendix.
———, A History of, together with the Guild-Merchant. 1822.
PROCEEDINGS and Ordinances of the Privy Council of England. Ed. Nicholas. 7 vols. London, 1834.
READER, History of Reading. Reading, 1845.
REGIAM MAJESTATEM, The Auld Laws and Constitutions of Scotland. Containing the Leges Burgorum. Edinburgh, 1609.
REGISTRUM Malmesburiense. Ed. Brewer. 2 vols. London, 1879.
REGISTRUM Prioratus beatæ Wigorniensis. Ed. Hale. Camden Society. 1845.
REP. PUB. REC., General Report from the Commissioners on the Public Records. London, 1837.
REP. COM. LIV. COS., Report of the City of London Livery Companies Commission. London, 1884.
ROGERS, a History of Agriculture and Prices. 4 vols. Oxford, 1866–1882.
———, Six Centuries of Work and Wages. New York, 1884.
ROT. DE LIB., Rotuli de liberate ac de Misis et Præstitis. Ed. Duffus and Hardy. London, 1844.
ROT. ORIG., Rotulorum Originalium Abbreviatio. London, 1805.
ROTULI Chartarum. Ed. Hardy. London, 1837.
ROTULI Litterarum Clausarum. Ed. Hardy. 2 vols. London, 1833, 1844.
ROTULI Litterarum Patentium. Ed. Hardy. London, 1835.
ROTULI Hundredorum. 2 vols. London, 1812, 1818.
ROTULI Parliamentorum. 6 vols. Rolls commission.
SALVIONI, Le Gilde Inglesi, studio storico. Florence, 1883.
SARTORIUS, Urkundliche Geschichte des Ursprungs der deutschen Hansa. Ed. Lappenberg. 2 vols. Hamburg, 1830.
SCHANZ, Englische Handelspolitik gegen Ende des Mittelalters. 2 vols. Leips. 1881.
SCAUM, Beverlac. 2 vols.
SCHMOLLER, Die Strassburger Tucher und Weberzunft. Str. 1879.
SCHMID, Gesetze der Angelsachsen. 2d ed. 1858.
SCHÖNBERG, Handbuch der politischen Œkonomie. Tübingen, 1882.

SEYMOUR AND MARCHANT, The History and Survaie of London. 2 vols. 1714.
SMITH, Traditions of the Old Crown House. Birmingham, 1863.
SOMERS VINE, English Municipal Institutions. London, 1879.
SOMNER, The Antiquities of Canterbury. 2d ed. London, 1703.
SOUTHAMPTON ORD., Ancient Ordinances of the Gild-Merchant of Southampton. Archæolog. Journal. Vol. XVI. 1859.
STATUTES of the Realm. 11 vols. 1810–1828.
STEPHANIDES or Fitzstephen, nobilissima Descriptio Londoniæ. In Liber Albus.
STIEDA, Zur Enstehung des deutschen Zunftwesens. Jena, 1877.
STOW, The Survey of London. London Ed., 1633, 1720.
SYBEL, Enstehung des deutschen Königthums. 2d Auflage. Frankfurt, 1881.
STUBBS, The Constitutional History of England. 3 vols. Oxf. 1877–8.
———, Select Charters and other Illustrations of English Constitutional History. 4th ed. 1881.
THIERRY, Récits des Temps Merovingiens précédés des Considerations sur l' Histoire de France. 2 vols. 1842.
THOMPSON, Essay on English Municipal History. London, 1867.
THORPE. Ancient Laws and Institutes of England. 2 vols. London, 1840.
———Diplomatarium Anglicum Ævi Saxonici. 1865.
THROSBY, History and Antiquities of Leicester. Leic. 1791.
TRAVERS Twiss, see Monumenta Jurid.
TURNER, The History of the Anglo-Saxons. 4 vols. London, 1799–1805.
WADE, History of the Middle and Working Classes. London, 1835.
WAITZ, Deutsche Verfassungsgeschichte. 8 vols. Kiel, 1844–1878. Vol I. 3d. Ed. 1880.
WALFORD, The History of Guilds. Antiquarian Magazine and Bibliographer. Vol. I to V. 1882–1884.
WARDEN, Burgh Laws of Dundee, with the History Statutes, and Proceedings of the Guild of Merchants and Fraternities of Craftsmen. London, 1872.
WEEDEN, The Social Law of Labor. 2nd. Ed. Boston, 1882.
WILKINS, Leges Anglo-Saxonicæ Ecclesiasticæ et Civiles. London, 1721.
WINZER, Die Deutschen Brüderschaften des Mittelalters. Giessen, 1859.
WILDA, Das Strafrecht der Germanen. Halle, 1842.
———, Das Gildenwesen im Mittelalter. Halle, 1831.

WODDERSPOON, Memorials of the ancient Town of Ipswich. Ips. 1850.
WOODWARD, A General History of Hampshire. 3 vols. London, 1861–9.
WRIGHT, The Celt, the Roman, the Saxon. 3d Ed. London, 1875.

THE RELATION OF

MODERN MUNICIPALITIES

TO

QUASI-PUBLIC WORKS.

PUBLICATIONS

OF THE

AMERICAN ECONOMIC ASSOCIATION.

VOL. II. No. 6. | SIX NUMBERS A YEAR. PRICE $4.00 A YEAR.

THE RELATION OF

Modern Municipalities

TO

QUASI-PUBLIC WORKS,

BEING A

REPORT OF THE COMMITTEE ON PUBLIC FINANCE

TO THE COUNCIL OF THE

American Economic Association.

AMERICAN ECONOMIC ASSOCIATION.

JANUARY, 1888.

COPYRIGHT, 1888, BY AMERICAN ECONOMIC ASSOCIATION.

BALTIMORE:
FROM THE PRESS OF GUGGENHEIMER, WEIL & CO.
1888.

TABLE OF CONTENTS.

PAGE.

I. LETTER TRANSMITTING THE REPORT 7

II. REPORT OF THE COMMITTEE.

1. Relation of Municipal Government to Public Works in the United States 13
   - *a.* Relation between the Science of Political Economy and the Science of Finance 14
   - *b.* Price of gas not regulated by competition 18
   - *c.* Ownership of public works by cities 27
   - *d.* Control over *quasi*-public works by cities 35

2. Letter from Dr. G. W. Knight to Chairman of Committee 39

3. Electric Lighting in the City of Detroit 45
   - *a.* Contest of the electric and gas companies 46
   - *b.* Cost of the system in Detroit 51
   - *c.* Electric lighting in other places 52

4. Municipal Revenue from Street Railways 57
   - *a.* Relation of street railway companies to municipalities 59
   - *b.* Methods of deriving revenue from street railway companies 61

5. Powers of Municipalities Respecting Public Works 69
   - *a.* Two classes of governmental functions 69
   - *b.* Central control over localities 71
   - *c.* Powers of American cities 73
   - *d.* Powers of English municipalities 76
   - *e.* Municipal system of Germany 79
   - *f.* Municipal system of France 80
   - *g.* Exercise of their powers of local self-government by European cities 82

Letter Transmitting the Report.

Members of the American Economic Association:

The Committee on Public Finance, appointed by the Council of the American Economic Association, have requested me to transmit the following report. Your committee have, during the past year, turned their attention to an investigation of the relation of the modern municipality to certain businesses of a *quasi*-public nature. It may be well to say frankly at the outset that the result of their investigation is to them the occasion of grave disappointment. It was their desire to make a full and complete portrayal of the facts pertaining to municipal public works in the United States. This they soon discovered was impossible. To say nothing of the time which such a task would have required for its satisfactory completion, the money at the disposal of the committee was not adequate to the needs of so extended an investigation. The Association must have funds with which to endow investigation or its so-called reports will be nothing more than the theorizing of individual members; and this, your committee understand, is the one thing against which the Association has set its face.

The report is made up of five parts, as follows:

I. A paper on the "*Relation of Municipal Government to Public Works in the United States.*" This may be regarded as the general report of the committee. Although thrown into shape by the chair-

man, it is the result of the work of the entire committee; nor could the facts, meager as they are, have been gathered without the courteous assistance of many gentlemen besides. The committee desire to make public acknowledgment to Mr. Bridgeman, of Boston; to Mr. Hodder, Instructor in Political Economy in Cornell University; to Mr. Jones, of Philadelphia; to Professor Woodford, of Bloomington, Ind.; to Professor Macy, of Iowa College; to Dr. Shaw, editor of the Minneapolis *Tribune*; to Professor Snow, of St. Louis; to Mr. Kasson, of Des Moines; to Judge Howe, of New Orleans; and to many others who have rendered perhaps equal assistance. The object of this paper is two-fold. First, to impress the fact that industries of the nature considered are superior to the satisfactory control of competition. Second, to show how far this fact has been recognized by municipal authorities, and what means they have adopted to guard the people against the abuses of corporate power.

II. The second part of the report is in the form of a letter from Dr. Knight, of the Ohio State University, relative to the question of water-works in the United States. Dr. Knight undertook the most difficult of the special questions for investigation, and it will be observed that his letter is a statement of the difficulties he has encountered and a promise of a complete report in the future. The Association may then regard this as a report of progress. It seemed best to make the letter public, because it shows the spirit in which the entire investigation has been carried on, and it impresses again the fact that the Association cannot expect to accomplish its purpose unless it has funds at its command.

III. The title of the third paper in our report is, "*Electric Lighting in the City of Detroit.*" Mr. Charles Moore, who furnishes this paper, is one of the editors of the Detroit *Evening Journal.* The sketch which he gives us is interesting as showing that, although competition may exist for a time between various methods of lighting, it cannot be relied upon to secure justice to the citizen tax-payer. The paper also contains the most complete list of prices for electric lighting which has yet been published, and claims our further attention by narrating the experience of a few towns in which the electric lighting plant is public property.

IV. The fourth paper, upon "*Municipal Revenue from Street Railways,*" is prepared by Dr. Davis R. Dewey, of the Massachusetts Institute of Technology. It undertakes to show the manner in which American cities can derive revenue from street railways, and the extent to which they have availed themselves of their rights in this matter.

V. The last paper in our report, under the title of "*Powers of Municipalities Respecting Public Works,*" was prepared by Professor Goodnow, of Columbia College, New York. It is the object of this paper to show, in the first place, the general powers enjoyed by American cities, and to compare these powers with such as are granted to municipal corporations in England, France and Germany. Its second purpose is to show how far continental municipalities avail themselves of their privilege to own and manage public works.

It may be asked why the committee have excluded from their report an investigation into the condition

of the gas industry in the United States. Their reply is, that the Association has already published one monograph on the *Relation of the Modern Municipality to the Gas Supply*, and it seemed best to direct their limited energies to other questions. And it may also be said, that the committee have entered upon a correspondence which they hope will result in a monograph relating the experience of the city of Richmond, Va., in the public ownership and management of gas-works.

All of which is respectfully submitted.

HENRY C. ADAMS,

Chairman of the Committee.

ANN ARBOR, MICHIGAN,
February 1, 1888.

REPORT

OF THE

COMMITTEE ON PUBLIC FINANCE

OF THE

American Economic Association.

MEMBERS OF THE COMMITTEE:

HENRY C. ADAMS, *Chairman.*
GEORGE W. KNIGHT.
DAVIS R. DEWEY.
CHARLES MOORE.
FRANK J. GOODNOW.
ARTHUR YAGER.

Relation of Municipal Government to Public Works in the United States.

BY H. C. ADAMS, PH. D., UNIVERSITY OF MICHIGAN.

It has been suggested to the chairman of this committee that the American Economic Association passes beyond the proper sphere of economic discussion when it takes into consideration a question of Public Finances. It is, of course, unnecessary to answer such a criticism to the Association at whose instance this investigation was set on foot, but it may serve as a natural introduction to the study which follows if we consider for a moment the relation existing between the Science of Political Economy and the Science of Finance.

There is substantial harmony of opinion as to the meaning of the term Political Economy. It is usually defined as the science of wealth, and there is no great objection to the definition, provided it does not limit the investigations of the student to methods of attaining individual riches. But the term Science of Finance, for Americans at least, does not convey so clear an impression. Accustomed as they are, for the most part, to the form which John Stuart Mill has given economic thought, it seems to them quite natural to treat financial phenomena among those forces which obstruct the smooth workings of economic laws. On the other hand, some few writers, erring in the opposite direction, have so far

misused the word Finance as to include under it questions of money and of banking. What, then, is the Science of Finance? Shortly defined, we may say, it is that science which treats of the wants of the state and the means of their supply. It is thus observed to stand in close relation to Political Economy. The one starts with an analysis of private wants and asks how they may attain adequate satisfaction; the other follows the same line of analysis for public wants. Since, however, public wants are but the wants of individuals in their collective capacity, we may say that the two studies are reducible to a consideration of the same general range of facts from different points of view.

But why, it may be asked, is it necessary to adopt the fiction of separating public and private wants for purpose of analysis, when upon analysis they are reducible to the same thing? This question might be answered philosophically, but it will be better to hold closely to the judgment of practical usefulness. It may be true that the state can have no wants independently of the individuals of whom it is composed, but it does not follow from this that individual interests may not be antagonistic to the interests of the public,—that is to say, of all persons considered collectively. The judgments of men will differ according as they consider questions from the personal or the social standpoint. The line of separation thus suggested is not a fiction, but a reality.

This difference between the Science of Finance and the Science of Political Economy may be the more clearly seen if we notice the principle to which men must conform when acting within their respective domains. The state is a corporation of perpetual

life, and on that account all questions respecting it will be properly considered with a view to ultimate consequences as well as to immediate results. Since, also, the state is without rivals within its own domain, it is superior to competition. It can, therefore, have no thought of profit, nor will the desire to acquire riches be permitted to influence its conclusions. We come then quite naturally to the principle of public financiering, namely, that services should be rendered in the most perfect manner possible at the least possible cost. But the rule for the guidance of a private enterprise is wholly different. The thought of perpetual existence does not greatly influence the minds of men, nor is it contemplated that exclusive rights of any sort will be maintained. The motive to industry is personal gain, and business enterprises are directed so as to acquire riches. The gauge of success is not absolute but relative. The rule of conduct in this case is to buy in the cheapest market and to sell in the dearest, or what amounts to the same thing, to render the least possible service at the highest possible price. It need hardly be remarked that the guarantee of fair treatment from those who render services under the guidance of the principle of private financiering lies in the fact that competition exacts what is just to consumers from each producer; or, at least, it will exact what is just, provided the principle of private management is not applied to industries which for any reason are superior to competitive influences. It is also a familiar fact that in the domain of public action, where from the nature of the case competition is excluded, it is found necessary to establish certain safeguards against the abuse of delegated power.

This is the meaning of that complicated system of budgetary legislation which forms so important a part of governmental machinery among constitutional peoples. Now each of these thoughts, when stated by itself, is readily admitted, but it may be doubted if the relation which exists between them is adequately recognized. These two principles of action which have been pointed out are reciprocal in the influence which they exert. Each in its turn affects the conditions in which the other acts. This is a fundamental truth for the student of social relations, though one that is frequently overlooked, and it has especial pertinence for the political and industrial conditions in which we find ourselves at the present time. The highest success cannot be expected in the domain of government, or in that of private economy, until society realizes a proper correlation between the principle of public and the principle of private financiering. This means that the Science of Finance and the Science of Political Economy must be regarded as correlative and mutually dependent.

Such, in all probability, was the thought which induced the Council of the Economic Association to appoint a committee on public finance; at least the committee construed this appointment to be a formal recognition of the fact that a study of the industrial relations, resting wholly upon an analysis of the workings of private financiering, must lead to false conclusions.

Under the guidance of such a thought the members of the Committee on Public Finance turned their attention to a study of certain industries in our municipalities which are superior to the satisfactory

control of competition; that is to say, they entered upon an investigation of water-works, lighting establishments and street railways. It needs no argument to prove that competition has little to do with determining the prices charged for the services mentioned, but it may not be inappropriate to make a few statements by which this fact shall be impressed upon our minds. There are in the United States 1,402 towns furnished with water-works of some description, and of this number seven only are supplied with duplicate systems. It is not intended to suggest that in these seven cases competition affects water-rates to any appreciable degree, but rather to call attention to the fact that in 1,395 cases the primary condition for the working of competition, the existence of rival companies rendering the same service, is not met.

A similar statement would not apply to the condition of lighting companies. There are many towns in which rival companies have been established, and those who live in cities have frequently suffered the inconvenience of streets torn up for the purpose of laying new mains by the side of old ones. And it is also true that the several methods of lighting, between which purchasers are at liberty to choose, do serve as something of a regulator in price. Thus petroleum is a competitor with gas, and electric lighting has in some instances brought down the charges of gas companies. But such competition is not adequate to prevent monopoly prices in the business of furnishing light, for combination, either open or by secret agreement, is sure to follow, and prices will be adjusted to float the consolidated stock. Experience has shown that one company with exclusive

privileges can be more easily managed than many companies with varying, and perhaps, conflicting franchises.

The impotency of competition in this business is well illustrated by the history of the gas companies in New York City. In 1885 a committe of the State Senate reported on the operations of these companies, and the facts at which they arrived are somewhat startling, even in this age of monopolies.

"It appears," said the committee, speaking of the decade ending with the year 1884, "that during the last ten years, in addition to he cost of gas and ten per cent. on the shares, or nominal capital of the companies named, there has been paid by the consumers of the city of New York about $9,000,000.

"If these ten per cent. annual dividends should be calculated upon the capital actually paid in by the stockholders, it would appear that the gas consumers in ten years have not only contributed such dividend, but a further amount sufficient, in fact, to nearly duplicate the present system of gas supply.

"Four million, nine hundred and forty-one thousand dollars have been paid in dividends in excess of ten per cent. on the nominal capital in ten years, nevertheless, the plant and works have been increased at the same time out of other earnings sufficient to meet the demands of increasing business, viz.: to the extent of $6,413,000."[1]

It is quite possible that these figures are not exact, but after making fair allowance for exaggeration it still remains an appalling illustration of the impotency of competition to regulate the price of gas.

But the list of prices at which gas is furnished in the United States, besides being very curious in itself, is direct testimony to the fact that competition is not the most important thought in the minds of managers when settling the price of this commodity.

---

[1]Report of commitee appointed by resolution of January 29, 1885. p. 11.

For, were this the case, there would be some uniformity in the price at which gas is furnished under substantially similar conditions, and prices would also disclose a tendency to conform to the cost at which the commodity may be manufactured.

We are especially fortunate in having at our disposal complete returns for the gas industry in this country. Mr. William W. Goodwin, in a paper read before the American Gas-Light Association, October, 1886, submitted to the Association the result of an extended investigation into this question; and the following table, which gives the annual output of gas, the selling price per thousand cubic feet, the number of companies selling at each price, and the total amount of revenue received at each price, is given upon his authority.

Table showing certain facts, as stated above, for the gas industry in the United States.

Coal Process.				Other Processes.			
No. Cos.	Gas. Cubic Feet.	Price.	Am't Received.	No. Cos.	Gas. Cubic Feet.	Price.	Am't Received.
1	11,000,000	$0 75	$ 8,250 00	.....	.....	.....	.....
1	80,000,000	90	72,000 00	.....	.....	.....	.....
4	2,100,000,000	1 00	2,100,000 00	3	565,000,000	$1 00	$565,000 00
1	175,000,000	1 10	192,500 00	.....	.....	.....	.....
3	256,500,000	1 25	320,625 00	1	50,000,000	1 25	62,500 00
8	943,600,000	1 40	1,321,040 00	1	15,000,000	1 40	21,000 00
26	1,879,900,000	1 50	2,819,850 00	6	987,500,000	1 50	1,481,250 00
1	730,000,000	1 52	1,109,600 00	.....	.....	.....	.....
7	3,055,000,000	1 60	4,888,000 00	2	69,000,000	1 60	110,400 00
				1	2,000,000	1 62	3,240 00
2	58,000,000	1 65	195,700 00	.....	.....	.....	.....
				1	850,000	1 66	1,411 00
2	390,000,000	1 70	663,000 00	1	135,000,000	1 70	229,500 00
16	2,088,000,000	1 75	3,654,000 00	8	1,238,000,000	1 75	2,166,500 00
1	27,000,000	1 77	47,790 00	.....	.....	.....	.....
14	444,200,000	1 80	799,560 00	1	292,000,000	1 80	525,600 00
1	11,000,000	1 90	20,900 00	2	25,000,000	1 90	47,500 00
104	2,519,400,000	2 00	5,038,800 00	44	1,346,750,000	2 00	2,693,500 00
2	94,000,000	2 10	197,400 00	1	40,000,000	2 10	84,000 00
				1	4,000,000	2 12	8,480 00
1	14,000,000	2 15	30,100 00	.....	.....	.....	.....
4	29,250,000	2 20	64,350 00	.....	.....	.....	.....
45	468,080,000	2 25	1,053,180 00	12	215,090,000	2 25	483,952 50
1	4,400,000	2 30	10,120 00	.....	.....	.....	.....
1	6,000,000	2 35	14,100 00	1	2,500,000	2 35	5,875 00
3	28,000,000	2 40	67,200 00	.....	.....	.....	.....
1	15,000,000	2 43	36,450 00	.....	.....	.....	.....
				1	40,000,000	2 44	97,600 00
102	1,230,075,000	2 50	3,075,187 50	43	304,701,800	2 50	761,754 50
2	13,500,000	2 60	35,100 00	.....	.....	.....	.....
3	13,000,000	2 70	35,100 00	2	20,000,000	2 70	54,000 00
18	102,250,000	2 75	281,187 50	2	9,000,000	2 75	24,750 00
1	2,500,000	2 80	7,000 00	.....	.....	.....	.....
2	11,000,000	2 85	31,350 00	1	8,000,000	2 85	22,800 00
71	474,100,000	3 00	1,422,300 00	15	72,100,000	3 00	216,300 00
1	1,800,000	3 15	5,670 00	.....	.....	.....	.....
2	11,500,000	3 20	36,800 00	.....	.....	.....	.....
				1	5,000,000	3 25	16,250 00
19	126,100,000	3 50	441,350 00	6	25,050,000	3 50	87,675 00
1	2,000,000	3 60	7,200 00	2	11,000,000	3 60	39,600 00
1	17,000,000	3 75	63,750 00	.....	.....	.....	.....
10	42,150,000	4 00	168,600 00	9	13,550,000	4 00	54,200 00
				1	1,500,000	4 25	6,375 00
3	5,800,000	4 50	3,600 00	3	7,000,000	4 50	31,500 00
8	19,200,000	5 00	96,000 00	5	18,510,000	5 00	92,550 00
1	3,000,000	6 00	18,000 00	3	3,200,000	6 00	19,200 00
495	17,502,305,000	.....	$30,452,710 00	180	5,526,301,800	.....	$10,014,263
				3	7,100,000	7 00	49,700
				2	11,000,000	8 00	88,000
				2	6,000,000	10 00	60,000 00
				1	4,000,000	20 00	80,000 00
				188	5,554,401,800	.....	$10,291,963 00

There are certain curious facts disclosed by a study of this table. Thus, in the first place, it appears that

the rates charged by these six hundred and eighty-three companies varies from seventy-five cents to $20 per thousand. This last mentioned price must of course be exceptional, and it is difficult to conceive under what conditions it will be paid. But the very fact that prices extend over such a wide range proves that they do not necessarily tend to the cost of production. This means that consumers do not have any guarantee in competition that they will pay only fair rates.

This same conclusion is forced upon us if we consider the actual prices charged. It is significant that the great majority of the companies report even figures as the price of gas, that is to say, the prices jump by strides of twenty-five cents per thousand. Thus it is $1.75, or $2.00, or $2.25, or $2.50, and the like, showing that a careful estimate upon cost of production, to which is added a normal return upon capital invested, exerted no influence in the making of the rates. The favorite rates, judged by the number of companies adopting them, seem to be $2.00 and $2.50; there being one hundred and forty-eight companies adopting the former, and one hundred and forty-five the latter. The favorite rate, judged from the gross income arising therefrom, is $2, the payments at this rate being $7,732,300.

Of course, the most satisfactory way of determining how far the public is warranted in trusting the corporations supplying gas, is to compare the price at which gas is sold with the cost of its production. A trustworthy investigation of this sort will be very difficult, for, to be perfectly fair, the conditions of manufacture should be known in every case. We may, however, arrive at conclusions sufficiently

accurate for our instruction if we compare the average price of gas, as it appears from the table given above, with what is known of the necessary cost of its production. For the purpose of obtaining this price Mr. Goodwin excludes from his calculation all companies charging over $6 per thousand. Such an exclusion is in accord with good statistical rules, for, if manifest exceptions are admitted into one's estimate, the general average reached will certainly be misleading. The following table is a summary of the figures given above, from which we may learn the total output, the total receipts, and the average price charged.

Table Showing the Average Price of Gas in the United States.

	Annual Output.	Am't Rec'd.	Av. price per M.
Coal process.....	17,502,305,000 cu. ft...	$30,452,710 —	$1.73 $\frac{8}{10}$
Other processes.....	5,554,401,800 cu. ft...	10,291,963 —	1.85 $\frac{2}{10}$
All processes combined.....	23,056,706,800 cu. ft..	$40,744,673 —	$1.76 $\frac{7}{10}$
Processes other than coal at $6 or less per M	5,526,301,800 cu. ft..	$10,014,263 —	$1.81 $\frac{2}{10}$

If "other processes" in excess of $6 per M. be deducted, the grand average price will be $1.75 $\frac{3}{100}$ per M.

The cost of gas cannot be given on the basis of such reliable figures; but, as commonly stated by those who profess to know, it can be manufactured and placed in the holder at from fifty to seventy-five cents per thousand. To this should be added the cost of distribution. Since, however, gas is self-distributing, the annual expense which it occasions to the consumer should not be more than the interest accruing on the capital invested in the mains. A company is

not fairly justified in charging for expense of distribution and at the same time collect for interest on capital invested in the plant, except so far as the capital is invested in the manufacturing plant. As a matter of fact, these two forms of investment are not kept separate, and it will be necessary for us to follow the ordinary method of computation, remembering, however, that cost of distribution is included in the dividends paid on stock. The question as to the proper price for gas, therefore, reduces itself to this: Is the stock on which dividends are paid a fair representative of capital invested?

"In a general way," says the editor of the *Gas-Light Journal*, "we have no doubt but that $5 per thousand cubic feet of gas sold per annum is ample capital for moderately sized works." Assuming that the cost of manufacture in such works is seventy-five cents per thousand, which is the highest of the probable range of prices, and that the company declares ten per cent. dividends, gas ought to be sold for $1.25 per thousand. "A company capitalized (in the city of New York) at $3 per thousand ought to supply its gas at $1 and earn a seventeen per cent. dividend, or, even if capitalized at $5, it would earn ten per cent." This is the testimony of Dr. Charles Schaeffer, lately Professor of Chemistry in Cornell University, now President of Iowa State University. The capitalization of the six London companies varies from $2.50 to $4. What, now, must be the average capitalization of gas-works in the United States in order to consume in dividends and cost of manufacture the average price of $1.75 per thousand? This is easily calculated. If the cost of manufacture be taken at seventy-five cents, there

remains $1 from the price paid by consumers to be distributed to stockholders in the form of dividends. This, upon the basis of ten per cent. is equivalent to a capital of $10 for every thousand feet of gas sold. Or, if the lower cost of fifty cents be assumed for the basis of calculation, it appears that the gas-works of the United States are capitalized at $12.50. This estimate, if given as a general average, is certainly not too high. In 1879, at the meeting of the American Gas-Light Association, it was stated in the course of discussion that, excluding the two largest companies, the gas-works of New England were paying dividends on an average capital of about $15 per thousand feet of output. It is no exageration then to say that over one-half of the nominal stock in the gas business in this country represents no original expense on the part of the stockholders. This is a tremendous fact. The output of gas in 1885 was estimated at 28,997,528,800 cubic feet. Taking the lowest estimate of capitalization this means that capital to the amount of $289,975,288 stands on the books of the gas companies demanding dividends, and that the average price of $1.75 per thousand gives it a dividend of ten per cent. But more than one-half of this stock is water, and could never have come into existence had not this business been superior to the control of competition. It is not a re-assuring thought that the people of this country are supporting, in the price which they pay for gas, a ten per cent. dividend on $150,000,000 of fictitious stock.

A recital of such facts as the above would be indeed startling were it not that the public mind has been dulled by their constant repetition. Yet

the continuance of monopolies of this sort is not so much due to public lethargy as to the plea that municipal administration is corrupt. It is at best, say men of experience, a choice of evils. We may, however, be too hasty in concluding that there is no escape from the burdens imposed by irresponsible corporations. The lesson to be drawn from the above recital is not the lesson of resignation; we should learn from it rather the necessity of resolute action. Of one thing, at least, we are assured: as long as government in cities continues to be corrupt, so long will private corporations continue to divide with aldermen the fruits of corruption.

The questions which form the subject of investigation in this report are forced upon the people of the present generation by the unprecedented growth of cities. In 1840 one-twelfth only of the total population of the United States lived in cities; now nearly one-third are citizens of large municipalities.

"How this tremendous rate of development must tax the resources and test the vital energy of our cities may be imagined when certain figures are quoted from an address by the Hon. Carter H. Harrison, lately mayor of Chicago.

"He gives the population of Chicago in May, 1879, when he began his service as mayor, as 470,000, which has increased in eight years to 703,000. During that time private buildings with a frontage of over 116 miles, and costing about $160,000,000, have been erected. In May, 1879, the city had only 133 miles of paved streets. It now has 347 miles. Sewers to the extent of 162 miles have been laid in the eight years. In the department of public works there has been expended in the same period over $36,000,000. The number of street lights has been practically doubled, and is now upwards of 20,000. The police force has grown from 453 men to 1,036. The teachers in public schools have increased in number from 850 to 1,500, and the school buildings have more than doubled. Since 1879 'there have been erected, including some not yet finished, fifty-eight magnificent [school] houses, with all modern appliances, at a cost of $2,756,819.37, and sites having a frontage of 8,700 feet

have been purchased at a cost of $463,423.20.' The public library in less than eight years has increased from 58,000 volumes to more than 120,000." [1]

This is, perhaps, an exceptional record of growth, yet there are many cities whose development considered by itself is just occasion for surprise and solicitude.

Now it necessarily follows that the needs of city life, such as pure water, adequate light, and easy transit, should expand with the rapid increase in urban numbers. There has been greater activity in providing the facilities for rendering such services during the last few years than ever before in the history of this country. Out of the total number of water-works in the United States, numbering 1,402, the date of erection for 1,179 is known; and more than half of this number have been erected since 1880. Or if we compare the seventeen years succeeding 1871 with the seventy years preceding that date, it appears that out of the 1,179 companies reported, 977 were erected in the latter period. Corresponding data for lighting-works and street railways have not been obtained, but there is no reason to believe that facilities for supplying these necessities have not been provided.

It was in the presence of such facts as these that this investigation upon city works was set on foot, and there can be little doubt that the subject considered is pertinent to the times. The first purpose held in view was a very simple one. Your committee undertook to learn how far municipal authorities understand the nature of these indus-

[1] Quoted from the *Minneapolis Tribune.*

tries with which they are called upon to deal. Are they aware that, in granting charters for water companies, gas-works and street railways, they are granting charters for businesses which, in the very nature of the case, are superior to competitive control; and, in so far as they have recognized this fact, upon what principles have they relied to guard the interests of the public against the enervating influences of established monopolies? In entering upon this investigation it was quickly discovered that the facts sought had never been gathered, and nothing, therefore, remained but to apply directly to the municipal authorities. With this end in view a circular was prepared, by means of which it was hoped to learn the attitude of cities with regard to productive property of the sort which has been described.

In drawing up this circular, your committee recognized three ends to be attained: First, it was desired to learn how far cities were proprietors and managers of any of the businesses mentioned. Second, in case the enterprises had been placed in the hands of private companies, information was sought respecting the nature and extent of the authority retained in determining rates and directing management. And third, inquiry was made respecting the nature of the taxes imposed upon this species of property. Was it subject to ordinary taxation only, or imposed with special duties in return for the special privileges enjoyed. The form of the circular was as follows:

AMERICAN ECONOMIC ASSOCIATION,
COMMITTEE ON PUBLIC FINANCE,
DECEMBER, 1885.

The undersigned, a committee appointed by the American Economic Association to investigate certain questions of *municipal finances*, have the honor of presenting to you the following questions, an answer to which would be regarded by them as an especial favor:

QUESTIONS.

1. Does your city derive revenue from any source other than taxation or loans?.....
2. (*a*) Is your city the proprietor of gas-works or electric lighting-works?.....

   (*b*) If not, has your city reserved the right to purchase such works at pleasure?.....

   (*c*) What method is adopted to raise revenue from such works, if owned by private companies?.....

   (*d*) Are lighting companies in your city exempt from *ordinary* taxation?.....

   (*e*) Does the city government, in any way, control rates for private consumers?.....
3. Please answer the above questions with reference to water-supply.

   (*a*) .....

   (*b*) .....

   (*c*) .....

   (*d*) .....

   (*e*) .....
4. Does your city levy any special tax on telephone property?.....
5. (*a*) Has your city ever derived any revenue from the sale of street railway franchises?.....

   (*b*) By what *special* method does your city derive annual revenue from existing street railways?.....

   (*c*) Does your city derive a *special* revenue from taxes, or licenses on omnibus, hack, or express lines?.....

   (*d*) Does your city own or manage any of the above-mentioned lines?.....

6. Does your city own market-houses? If so does it derive a revenue from them above the cost of maintaining them?
.....
7. (*a*) Is your city the proprietor of docks, ferries or bridges?
.....
(*b*) If not, has it retained the right of controlling rates?.....
(*c*) If not, is any special tax laid upon such property?.....
8. (*a*) Does the city own productive stocks or bonds of corporations, either public or private?.....
(*b*) If so, for what purpose did it acquire them?.....
.....
9. (*a*) Does the city own any productive real estate?.....
(*b*) If so, for what purpose was it originally acquired?.....

With regard to the first question, a marked difference was discovered between the policy of municipalities in the management of water-works on the one hand, and of gas-works and street-railways on the other. So far as we were able to discover, no city in this country has ventured upon the ownership and management of street railways; five cities only are proprietors of gas-works—Philadelphia, Richmond, Danville, Wheeling, and Alexandria, Va.—but there are 544 towns in the United States proprietors of water-works. Indeed, the prevailing sentiment in this country is in favor of public systems of water-works; for, although the completed reports show only 544 public works as against 675 private works, and 183 the ownership of which was not reported, the returns from cities containing over 10,000 inhabitants is largely in favor of municipal control. Out of the 135 cities of this grade, from which returns were made, there are ninety-one public as against forty-four private works.

It is a little difficult to understand so marked a divergence in policy. Quite a number of theories presented themselves, but none of them were able to

stand the test of investigation. Thus it was suggested that cities were disinclined to undertake the supply of gas, because the business called for the handling of circulating capital. This at first seemed a plausible explanation, but was shown to be erroneous by an attempt to apply it to a classification of water-works themselves. As is well-known, water may be distributed by employing the force of gravity wherever the topography of the country permits, or reliance may be had on the power of steam. Now if it be true that municipalities are averse to any undertaking which calls for control over circulating capital, we should find that water-works of the second class mentioned are given over to private control, while those of the first class only are under the direct management of the cities. And there are two or three states in which the facts support the theory. In Connecticut, for example, thirteen out of fifteen of the public water-works avail themselves of gravity as a distributing force. But in Massachusetts, on the other hand, there are seventy public water-works, of which only thirty avail themselves of the force of gravity, as against forty which rely directly upon pumping; and it should be also added, that of the private companies twenty-five are free from the expense of generating the power used. Or, if we turn to the states of Ohio, Michigan, Indiana, and Illinois, where the policy of public works has gained the strongest foothold outside of Massachusetts, the theory breaks down entirely.

It was also suggested that gas-works came into general use at the time the doctrine of *laisez-faire* controlled the minds of men, and that, consequently this business was set on foot under the impetus of

private enterprise; but here again the facts in the case proved derelict in giving the needed support to the theory. Perhaps the most plausible explanation of the fact we are considering is one suggested by Robert Matthews, Esq., of Rochester, New York. "The water-supply of cities," he says, "is generally limited by natural conditions, and this is probably the main reason why it is usually supplied by the city governments. Water being absolutely essential to the health of a community, it was seen to be best to put its supply into the hands of a body which can have no motive for restricting it.... But gas being a manufactured article, was left to private enterprise."[1] But, if this be the explanation, we may say, that, so far as the character of the two commodities is concerned, the changing conditions of city industries are rapidly bringing gas as well as water into the class of necessaries of life, a remark which is equally applicable to street railways.

It may be asked in this connection if there is any indication that the people of one part of the country adopt the policy of public control by ownership, while those in other parts show their preference for private management? It was fully expected at the outset that investigation would show some such classification, but the disappointment of the committee in this regard has impressed anew upon their minds the necessity of permitting facts to run before theory. It seemed natural, for example, to expect that the New England states, with their town-meetings and their code of municipal law peculiar

[1] A Paper read before the Fortnightly Club, of Rochester New York, December 28, 1886, by Robert Matthews, Esq., p. 8.

to themselves, would show greater willingness to adopt the policy of public ownership than other states with different methods of procedure. There is, however, no harmony of action in New England. Vermont inclines to public ownership; New Hampshire to private control. In Massachusetts there are seventy public systems of water-works as against fifty-four private; in Connecticut there are fifteen public as against twenty-six private establishments.

Two or three conclusions of importance may be drawn from this part of our investigation. In the first place, it seems to be an error to assume, as certain writers persist in doing, that municipal ownership of industries performing *quasi*-public services is, in the United States, of the nature of an innovation. There is no need to discuss this question as something wholly new, or on the basis of theory alone: for we have at hand a sufficient number of experiments from which to draw tenable conclusions. With regard to the problem of municipal proprietorship we may proceed, as we have always been accustomed to proceed, in the presence of any proposal for a reform in government; that is to say, we may apply the experience gained in a small way to the establishment of some general rule or principle.

In the second place, a comparison of the management of gas-works with the management of water-works in this country, seems to warrant the conclusion that public ownership in some towns serves as a check upon the private management of the same industry in other towns. It is generally admitted that, on the whole, the administration of water-works is subject to fewer criticisms than that of lighting-works, and there is reason for believing that this

is in part due to the fact that in the one case the public have a fairly satisfactory rule of judging what good management is, which in the other case is wholly wanting. There is something to be said in favor of the thought that a mixed system, such as exists in the business of water-supply, is preferable to a system of universal control by either public or private corporations.

And lastly, it is worth mention, that the opinion to which we come with regard to the policy of municipal proprietorship, will of necessity determine our views upon the question of local indebtedness. Before any successful administration of public works by municipal authorities can be expected, it will be necessary for the people of this country to become more familiar than they now are with the principles of the Science of Finance.

Dismissing now the question of public ownership, let us turn to the second part of our inquiry. How far have public authorities, in granting to private corporations the privilege of supplying cities with water, light and transportation, recognized the peculiar nature of the businesses with which they were dealing? What is the extent and the nature of the control which they have retained over the conduct of such enterprises?

Upon this point your committee received information from one hundred and forty-three towns, and it is worthy of remark, in the first place, that greater care has been exercised in the granting of charters to water companies than to lighting companies. Thus there are but fourteen towns in which the business of supplying water is not placed under some sort of public control, while there are seventy-

five towns in which lighting companies enjoy unrestricted powers in matters of rates and general administration. These figures, however, do not take account of legal control that comes by general state statutes, a question included in the special report by Professor Goodnow on Municipal Administration.

When, however, we come to consider the charters themselves, it is impossible to discover, in the nature of such control as is exercised, any well-defined and uniform policy. The most, therefore, which can be done in this connection will be to mention in their order the principles of management upon which American cities rely, and to suggest one or two thoughts in criticism upon them.

The principle of control the least removed from direct ownership consists in the reserved right of repurchase. This is a familiar method of procedure in European countries. It was adopted by Belgium and France in granting charters for railroads to private companies, and the manner in which it is believed to work is not difficult to understand. When a government retains the right of revoking at will any charter which it may have granted, it is understood that one of the conditions of the continued enjoyment of the franchise is an adequate care on the part of the company holding the charter for the interests of the public. The relation existing then between the company and the public is that of an agent to his principal. It is thought that good behavior will thus be secured, because the principal may at any time discharge the agent. Such at least is the theory, but it is questionable if it has succeeded in exercising a conservative influence upon the management of the companies controlling municipal pub-

lic works. So far as the facts are concerned, it was discovered by your committee that out of one hundred and thirty-eight private companies chartered to supply gas to the larger towns of this country, there were twenty-three instances of charters in which the public authorities had reserved the right, under certain contingencies, of assuming proprietary control over the business. In case of water-works, nearly one-half of the charters were drawn on this plan.

The main obstacle which this theory encounters in its practical working arises from the fact that few of our municipalities are in a position to pay ready cash, while the most of them are under legal restrictions of some sort as to the employment of their credit. And another difficulty is, that, although the right to purchase at will is reserved, very few of the charters say anything of the method by which the price is to be determined. Indeed it is doubtful if the real bearing of the plan thus brought to our notice was fully appreciated by those responsible for its adoption; it is more than likely that the clauses in the charters which provide for repurchase, were inserted to satisfy some croaker who feared the public interest might be endangered.

Another method of seeking to guard the interests of the public against mismanagement of corporations entrusted with *quasi*-public powers, consists in fixing by law the maximum price at which services may be rendered. This maximum limit must of necessity be high enough to cover all possible contingencies, for it would otherwise act as an obstruction to development. Indeed, it is not uncommon for the legal price to be higher than the price actually charged. For example, in Richmond, Indiana, the

legal price of gas is three dollars per thousand, while the rate charged is but two dollars and fifty cents per thousand. It may be doubted if provisions of this sort are of any practical advantage, except it be to keep alive in the minds of the people their reserved right to a voice in the management of all businesses which are for any reason superior to the control of competition. Should, however, this principle succeed in making its way with our municipalities, it would probably be found necessary to establish a commission of public works clothed with the power of approving or rejecting proposed tariffs.

It is sometimes the case also that the actual selling price of light and water, when supplied by private companies, is fixed by public authorities. Few instances of this sort, however, have presented themselves to your committee, and it may be regarded as an exceptional measure in American legislation. The difficulties attending the enforcement of such legislation are two. It is, in the first place, impossible for a board of aldermen, or a legislative body, to determine a rate that will be fair to both the public and the corporation. This can only be done by men who have had long familiarity with the details of the business. The second difficulty in legally fixing rates, arises from the fact that a rate at one time fair may be quite unfair under other circumstances. In a business like that of furnishing light or water, for example, an increase in population permits an extension of service at an expense proportionally less than the expense attending the business already done. To permit the company to charge the old rates, notwithstanding the new business, would give an excessive profit and lead to the appreciation of

stock. To obviate this difficulty it is sometimes provided that there shall periodically occur a revision of rates. Thus in East Saginaw, Michigan, the rates are open to modification once in five years.

Another method of attaining the same end consists in the legal limitation of dividends; or, what amounts to the same thing, in such special taxation that dividends shall be pressed down to the normal rate of profits. American cities do not avail themselves of this method of control, except with regard to street railways, and, as may be learned from the report of Dr. Dewey, this principle is not pressed very far. But in some of the towns of England where this theory of control has been tried, it seems to work badly. The result is what might have been expected. If dividends are limited by law, and the only means of increasing income is by means of dividends, the directors of a corporation will surely be careless in its management. Suppose eight per cent. is permitted by law, and that ten per cent. could be earned without raising prices, simply by greater care, or by the adoption of better methods of manufacture; or, to state the case so as to harmonize with the experience of English towns, suppose dividends could be increased above the legal rate by decreasing the price charged for the service rendered, is there any motive for making improvements or for reducing price? The theory of limiting dividends does not work well. It leads inevitably to careless or to dishonest management.

This criticism has been recognized in England, and the theory of limiting dividends somewhat modified in consequence. It is not unusual at the present time to state in the charters the maximum dividends

that may be paid, but at the same time to grant the corporation the liberty of exceeding the prescribed rate, on condition that this be accompanied by a reduction in the price of the service. In this manner the benefit which arises from increased business is in part secured to the public, a benefit which could not be secured had the theory of limiting dividends been strictly enforced.

The sale of franchises might also be mentioned in this connection, but as this practice is confined, for the most part, to street railways, its discussion is reserved to the special report on that subject.

This general subject of the relation of municipal government to water-works, lighting-works and street railways is certainly pertinent to the times in which we live. Your committee have been somewhat discouraged in their endeavor to gather facts sufficiently comprehensive and reliable for safe generalization; they have, however, succeeded in impressing upon themselves the magnitude and complexity of the question.

OHIO STATE UNIVERSITY,
Columbus, February 1, 1888.

My Dear Sir: You once wrote me, in reply to an inquiry of mine, concerning a monograph that had long been promised, "It is not done, and there is no prospect of its being done this generation." You have, perhaps, of late begun to say the same of the report on "water-works," over which I have been working. Explanations are certainly due to you and to the Economic Association for its non-appearance even yet, when the rest of the report of the committee is about ready for publication.

In the first place, the general facts on the subject, as brought out by our first circular, have long since been tabulated, and you embodied their essential features in your preliminary report made at the last meeting of the association.

In the second place, any study or report worthy of publication by the association as coming from the committee must, as you have urged in the preliminary report, be based on observed facts, not on theoretical speculations. There are a sufficient number of specific examples in the United States, so that we may dispense with theory, *if only we can get the requisite information concerning these specific cases.*

In the report on water-works the main and ultimate question to be answered is: "What are the comparative efficiencies of public and private control of water-works systems in our cities?" What a faint light the statistics, which the committee gathered by its joint labors, throw upon this, you know full well.

A complete and definite answer to the above question is attainable only after ascertaining:

1. What rates are charged consumers on the average under each system "for equal services rendered under similar circumstances." [For this, tables of water rates in the cities on our list are needed.]

2. (*a*) In cities where water-works are under private control, what revenue is derived from them by the city in the shape of taxes, etc.?

(*b*) What does the city pay to the water company for water for fire protection and other public purposes?

(*c*) What is the net annual revenue derived by the city, or net annual expense incurred by the city, where such private ownership obtains? That is, what is the net difference between (*a*) and (*b*), and on which side does it lie? [For this, figures and detailed statistics from the cities themselves are necessary.]

3. In cities where the municipality owns the water-works, what is the net annual surplus or deficit proportioned to the population, consumers, or cost of plant? [Here again statistics are necessary.]

4. How do the two systems compare, measured by this standard of pecuniary cost to the cities?

5. Which system responds most exactly and quickly to the needs of the community in supply of water, extension of pipes, etc.?

6. Is there any broad and general distinction between large and small cities on points 4 and 5? [The value of our answer to these questions depends entirely on the completeness of our statistics.]

7. (*a*) In cities having municipal ownership of water-works, how are the works managed and controlled? By Water Board, elected by the people, or chosen by the mayor? By officers chosen by the Common Council and responsible to it? [This query necessitates the examination of the charters.]

(*b*). Which plan is the best, quality and cost of service being the gauge?

8. In cities having private ownership of works, (*a*) how generally has the right to fix water-rates been reserved by the city? (*b*) Has the right to purchase the works at any future time been reserved? (*c*) Is there a tendency on the part of the cities to avail themselves of this right? [Here state constitutions and special charters throw light on the subject, and must be examined.]

9. In cities having municipal control and ownership, is the original cost of the works or the bonded debt paid by general taxation, or does the income from water-rents pay it? [Here again, accurate data are necessary.]

10. What are the general conclusions of the study of the two systems, and what suggestive criticisms can be offered?

Thus the *tenth* point brings us back to our original inquiry, and not until the preceding nine are investigated can the tenth be handled.

Now in order to get hold of the necessary data I have sent out scores of letters and inquiries, the majority of which have been entirely or partially unanswered. Perhaps a score of cities are in hand with satisfactory data; others with but partial and incomplete figures. To base a general report for the

United States upon the study of that number of cities is absurd since it is "observed facts not theoretical speculations" that are desired.

Your suggestion that the subject be treated in a general way with a few specific illustrations will not at this stage meet the emergency, for generalization presupposes data (of which not enough are yet in hand), and further, how could I be certain that my specific illustration was typical? Take Detroit, for example. In using that city as an illustration allowance must be made for the fact that she has an unlimited water supply at a minimum of cost for obtaining it, and her rates ought to be affected thereby. Or again, take Columbus, an inland city, with a limited supply of water obtained at a large cost, except when the river is turned in, and then our chemists pronounce the water impure. Which of these two cities is typical of the larger class? A specific illustration is valuable only when there is proof that the illustrative case is one of a class and not *sui generis.*

If a report on this subject is to be worth anything when done, it must be born of data, sustained by data, and end in data. As yet no ingenuity or perserverance on my part has been able to extract the requisite data from the officials of a large number of our cities.

One who studies the question of gas-supply has a simple task. There are but five cities in which the municipality owns the gas-works. The question becomes then almost solely one of taxation, revenue, and control of rates by the city, where the private system obtains. He who investigates the relation of cities to the street railway finds few or no cases of

city ownership. Again it is mainly a question of taxation, franchise and regulation.

Croes's "Statistical Tables of American Water-Works" is valuable as far as it goes, but it gives few things I need. For example, it gives *present* debt annual income, annual outlay. I need to know whether this debt has been larger previously, and whether it and its interest are met by the income from water-rents or by taxation.

I have put a report on my subject into two or three shapes, but in no case have I reached anything in the way of *final* and *authoritative* results. The data are lacking, and a report made now would be nothing but a study of a few cities, and I am not certain that any of its results would hold good for the same number of cities elsewhere located. As I cannot believe that the association desires to receive, or the committee to make, a partial or unreliable report on this important subject, I feel that the only thing to do is to report the situation, and continue the investigation. The data are coming in slowly, and I expect to worry the necessary statistics out of the various cities and water companies to work out the results indicated above. If the association desires these results when reached, the committee can report them. If it does not, I shall nevertheless have obtained the conclusions which I am seeking, and no one will have suffered. I feel confident that a very few months will bring in all the data needed.

In this connection I cannot refrain from noting two disadvantages under which I have labored, and I suppose others have felt them also. The first—A man busy with his best energies in collegiate work

can only give a small fraction of his time to these special investigations, and hence cannot crowd them along as fast as is desirable. The second—These investigations require money as well as time, and as the association reaps the reward in a large degree of the labors of its committees, it should possess a fund available for meeting the legitimate expenses of these investigations.

My chief regret in making merely a report of progress, is that you, as chairman, are thereby subjected to the annoyance of having to submit an incomplete report. Yours sincerely,

GEO. W. KNIGHT.

DR. HENRY C. ADAMS, *Chairman,*
Ann Arbor, Mich.

Electric Lighting in the City of Detroit.

BY CHARLES MOORE.

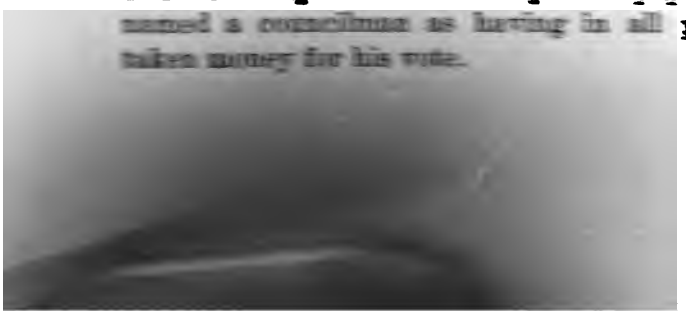
Previous to the year 1884 the streets of Detroit were lighted by gas and by the naptha light—by gas where there were gas mains, by naptha in the newer parts of the city. For several years the two gas companies had made a combination bid for the lighting contract; there was no competition, for the excellent reason that the gas companies had divided the territory, each taking half the city, and each having a complete monopoly in its own territory. The annual letting of the lighting contract was attended by more or less friction between the gas companies and the aldermen, and there were always charges of corruption. Each year some innocent new alderman would discover that since his election he had received no bills for gas; but the charges went no further, and the alderman never called for his bills.

In 1884 the people of Detroit were eager to try electricity for street lighting. Already the Brush Electric Light Company was doing business in the city, and many of the stores, depots and wharves had the advantage of the new light. The council, therefore, ordered the specifications to be so prepared that electric light companies could compete with the gas companies. When the bids were opened it was found that the bid of the Brush Electric Light Com-

pany for lighting the city was $114,644. The bid of the gas companies was $65,000, but there were the expenses of lighting the lamps and cleaning, which would bring the bid up to nearly, if not quite, $80,000.

It so happened that the sum appropriated for public lighting for the year 1884 was only $56,000. On learning this the Brush company asked and were allowed to put in a supplemental bid of $65,000. The gas companies by this time were thoroughly alarmed. Making a combination with the Naptha Gas Company, they asked to be allowed also to put in a supplemental bid, and named $70,000 as the price at which they would undertake to light the entire city and care for the lamps. Moreover, a second electric light company was hastily organized, and they too asked the privilege of making a bid. Both requests were refused, and the bid of the Brush company was accepted by the City Council.

Mayor Grummond promptly vetoed the contract, urging that its terms were too indefinite, and that the whole matter of the change to electricity had been decided upon without due consideration. The Council, however, by a vote of eight to two overrode the veto. Just before the vote was taken, one of the councilmen arose in his seat to say that he had been offered $1,000 to vote to pass the contract over the veto. He was one of the two who voted to sustain the mayor's action. Until that night it was supposed that three councilmen would side with the mayor, and that the contract would be defeated. The next day one of the city newspapers openly named a councilman as having in all probability taken money for his vote.



The city was now committed to electricity for one year from July 7, 1884, and in spite of the charges of jobbery connected with the contract, and the utter failure to submit the matter to competition, the people generally were glad that a change was to be made. The day of gas for street lighting was past, and the only question was as to how the best electric light could be obtained at a price not outrageous.

The Brush company, however, were not suffered to proceed in peace. At the instance of several members of the second electric light company—a corporation which existed only on paper—the attorney-general of the state applied to the Superior Court of the city of Detroit for an injunction to restrain the city from paying money to the Brush company, because of alleged defects in the contract. The injunction was granted, but when the case was taken to the Supreme Court the injunction was dismissed, Judge Cooley, in the opinion, taking the ground that the dignity of the state had not been insulted by corporate action, its franchises had not been abused, nor had any citizen been wrongfully or excessively burdened.

The Grand Jury also indicted one person on a charge of having attempted to bribe a councilman, as above adverted to. The case for the people was weakly prepared, and no evidence was forthcoming to convict. The officers of the Brush company swore with great positiveness that they had never expended a penny in an improper manner.

An essential part of the new system of lighting was that the lights were to be placed on towers. Six of these towers were to be not less than one

hundred and fifty feet high, and the other sixty-six were to be not less than one hundred and four feet high. Extra single lights were to be placed wherever it should be deemed necessary by the council. The seventy-two towers were to carry three hundred lamps of two thousand candle-power each. The towers are now the chain that binds the city to the Brush company. So long as the tower system is retained there can be no competition among electric light companies for public lighting, because of the great expense of building towers, and the power of the Brush company to put their price so low that no other company could think of building towers in opposition to the Brush people.

The towers are made of gas pipe. They rise on a single pillar about seven inches in diameter, and then become prism-shaped and carry at the top a lamp platform on which either four or six lamps are placed. The company which supplied the towers was made up of three of the largest stockholders in the Brush Electric Light Company. For ninety towers—which was the number actually erected during the fiscal year 1884-5—the tower company sent to the electric light company a bill for $120,000. The stockholders of the Brush company made a vigorous resistance to what they deemed an extortion, and finally settled the bill at $75,000. The towers could be duplicated for a sum not to exceed $35,000, were it not for the patents covering them.

There can be but one opinion as to the merits of the present system of electric lighting in Detroit. The high towers are sufficiently near each other to light well the more thickly settled portions of the city. A decided advantage is found in the fact that

alleys and back yards are lighted as well as the streets, and on rainy nights the lights are very effective. In the case of heavy shade, pole lights are used to supplement the light of the towers. In the suburbs there is still much to be desired; but the fault is not with the system, but with the small number of the towers and pole lights in those sections. There is nothing that gives the good Detroiter more satisfaction than to come back to his city at night and be greeted by those bright lights, hanging like globes of fire over the city, and reflected in the waters of the wide river.

Yet, now that the light has come to stay, the cost has become a very serious matter, and is getting to be more of an item each year as the city is rapidly extending itself in three directions. At the time the Brush company began to light the city it was charging private customers fifty-six cents a night for lights burned all night. The cost to the city had been fifty cents per night for the few lamps in use. It is entirely safe to say that at fifty cents per light per night, the Brush company can furnish wires and lamps and make a fair profit. The cost to the city of the tower lights was seventy-five cents per night. The company, therefore, collected twenty-five cents per lamp each night towards the payment for the towers.

When the question of the annual lighting contract came up in 1885, the gas companies made a last determined effort to get the lighting once more. And now it was that the towers were used as a trump card. The Brush company's bid was $89,300. The gas companies offered to light the city for $43,000. But they required the city to put

the lamps in order. It had happened that so soon as the electric lights had come into use, the small boys of Detroit had showed their contempt for the old lights by stoning the glass and breaking the frames. The cost of repairs and new posts, together with certain other necessary charges, would bring the cost of gas up to about $90,000. The result was an easy victory for the Brush company.

When the year 1886 rolled around, the Thomson-Houston company had resolved to invade the Brush company's territory, and the company put in a bid for the public lighting. Inasmuch as the company had no wires, no towers, and had not even a local organization, the bid came to nothing. This company, however, is now doing a good business in Detroit, among the merchants and business men generally. The lighting for the year was done at the rate of two hundred dollars a light, or nearly fifty-five cents per light per night.

The annual wrangle over electric lighting contracts had become so long and so bitter that the legislature of 1887 was asked, and consented, to amend the charter of the city so as to allow a lighting contract to be made for one, two or three years. It was urged that much better terms could be made with the Brush company on a three years' contract. At the last moment for opening the bids for 1887–8, the manager of the Thomson-Houston company informed the City Controller that his company had decided to put in no bid, although a bond for the privilege had already been filed. The Brush company were, therefore, masters of the situation. With no opposition from either gas or rival electric light companies, the only limit to their charges need be what the Council would stand.

The present system of lighting in Detroit consists of one hundred and twenty-two towers, carrying four hundred and eighty-nine arc lights, one hundred and twenty-one pole lights and fifteen lights in the city hall and market, a total of six hundred and twenty-five lights. Estimating an increase of one hundred pole lights and ten towers, the bid of the Brush company for three years from July 1, 1887, would amount to $427,380. At this point one of the city newspapers started the question of the city owning a plant and doing its own lighting. The Council took up the matter, and a public meeting aided the agitation. As a result of vigorous work and a mayor's veto, the Brush company rearranged its bid so that the entire cost for the three years would reach $390,680, a saving of $36,700. At this price the contract was again passed over the veto, and the Brush company will light the city till 1890.

Under this bid the city will pay the Brush company $188.70 per light per year for the old lights; fifty cents per light per night for "foliage" lights burned during the summer only, and sixty cents per light per night for new tower lights as they may be ordered. This price is the lowest, at present, attainable on a long-time contract in a city where competition is, from the nature of things, impossible. The Brush company have more than paid for their towers during the past three years, and are now thoroughly intrenched behind the tower-system.

The question now is, can the cost to the city be further reduced? In this connection it is interesting to notice what other cities are paying for their electric lights. The figures given below have been

gathered directly from the city officials by the Detroit *Evening Journal*, which paper has used them as they were received, but has never tabulated them completely.

It may be added, that the reports from other cities show that the experience in putting in electric lights for street lighting purposes has been similar to that in Detroit. The change has been strenuously fought, and "city fathers" all over the country have, it is believed, lined their pockets during the fight.

CITY.	Price per Year per Light.	No. of Lights.	System B. & T.-H.
Detroit	$188 70	625	B.
Boston	237 25	570	B. & T.-H.
Bangor	150 00	23	.....
Chattanooga	121 67	30	B.
Logansport	115 00	62	J.
Fort Wayne	150 00	138	J.
Omaha	216 00	12	.....
Providence	182 50	235	U.S.&T-H.
New Bedford	182 50	50	T.-H.
Newburg	120 00	83	T.-H.
Poughkeepsie	127 50	185	.....
Oswego	126 83	142	.....
Quincy, Ill	136 00	158	T.-H.
Mobile	100 00	160	T.-H.
Trenton	184 50	76	B.
Wilkesbarre	200 00	32	E.
Springfield, Mass	219 00	50	T.-H.
Montreal	219 00	132	T.-H.
Allentown, Pa	111 00	.....	A.
Bloomington, Ill	130 00	211	T.-H.
Buffalo	173 37	631	B. T.-H. U.S.
Fall River	204 00	26	T.-H.
Lynn	173 37	100	T.-H.
Hartford	192 34	120	T.-H.
New Orleans	125 00	819	J.
La Fayette, Ind	56 72	207	B.
Bridgeport, Conn	184 50	94	T.-H.
Toronto	200 75	125	.....
Schenectady	171 55	95	.....
Jackson, Mich	113 24	46	T.-H.
Racine, Wis	70 00	100	B. & T.-H.
Richmond, Va	145 60	118	.....

CITY.	Price per Year per Light.	No. of Lights.	System B. & T.-H.
Galveston	173 75	48	B.
Holyoke	184 50	72	.....
Cambridge, Mass	200 00	78	.....
Philadelphia	200 00	516	T.-H. J.U. S.
Salem, Mass	171 55	143	T.-H.
Ottawa Can	100 00	217	T.-H.
Worcester	200 00	138	T.-H.
Somerville, Mass	135 07	70	A.
Syracuse, N. Y	144 00	280	T.-H.
Peoria	145 00	225	J.
Newark	182 50	184	U. S.
Portland	140 00	168	T.-H.
Reading, Pa	164 25	107	.....
Albany	184 50	481	B.
Dayton, O	170 00	126	.....
Erie	146 00	54	B.
Harrisburg	93 20	150	Ex.
Lancaster, Pa	117 75	138	U. S.
Montgomery	219 00	30	B.
Memphis	180 00	75	B. & T.-H.
Nashville	255 50	30	B.
Baltimore	184 00	519	B.
Kansas City	200 00	64	T.-H.
Springfield, O	130 00	54	T.-H.
Toledo	40 00	50	B. & T.-H.

In the above table B. stands for the Brush system; T.-H. for the Thomson-Houston; J. for the Jenney; A. for the American; U. S. for the United States, and Ex. for the Excelsior. Where no system is indicated none is reported. Where lights are not burned every night 2-15 is added to the cost to make allowance for moonlight nights. This happens in few cases.

In October, 1886, Bay City, Mich., began investigations which led to the purchase of an electric light plant and the creation of a bureau of management. At the expiration of six months it was found that the cost of operating was on the basis of forty-two dollars per light per year, whereas the city had been paying the Swift company one hundred dollars per light per year.

Lewiston, Me., owns its plant and by the use of water-power has reduced the cost to fourteen cents per lamp per night, or fifty-one dollars and ten cents

per year. The plant for one hundred arc lights cost $14,500; the cost of construction was four hundred and fifty dollars per running mile. The price paid under contract was from fifty-five to sixty-five cents for lights burning only till midnight. Now, at a cost of fourteen cents each, the lights burn all night.

Ypsilanti, Mich., has just put into operation the Jenney system, the guarantee being that for $3,000 per annum the city will be lighted better than by gas that had cost $2,800 a year.

Madison, Ind., lights five square miles with eighty-one lights owned and operated by the city. The plant, entire and complete, including the power, was built at a cost of $18,500, and is operated at an annual expense of $4,500. The Jenney system is used and the lights burn all night, at a cost of $55.55 per light per year.

Rochester, N. Y., has six hundred and seventeen Brush and Rochester company lights and seven hundred Edison (twenty candle-power) lights, for which the city pays to the Brush company, on an average, one hundred and four dollars per light per year; to the Rochester company one hundred and four dollars and seven cents, and to the Edison company eighteen dollars and twenty-five cents. The contract is for five years, and the cost of the Brush light decreases each year and that of the Edison company increases.

Terre Haute, Ind., operates two hundred and twenty-one Thomson-Houston lights at a cost of $88.33 per light per year, burning 2,500 hours a year.

San Francisco lights only the outlying districts, paying five dollars and twenty-eight cents per night

for 16,000 candle-power lights and sixty-six cents for 2,000 candle-power lights.

Cleveland pays ten and a-half cents per hour for 4,000 candle-power lights on masts, and three and seven-tenths cents per hour for pole lights.

In Toledo competition brought the cost of lighting down from one hundred and sixty-five dollars to forty dollars per light per year.

In London, Ont., the price has been cut down to twenty-eight cents per light per night by a sharp competition between the Brush and the Thomson-Houston companies.

From the foregoing discussion and tables it would appear that in the nine years since electricity was first used to light streets in Paris, this form of lighting has largely superseded gas for public lighting; that in the large majority of cities the principle of competition is inoperative, either because of a division of territory among the companies, or because there is but one company; that where there is competition the price of electric lighting has been reduced to a fraction of its former cost; that cities which own their plant are able to effect large savings in the expense of lighting; that the letting of contracts to electric light companies is apt to be a prolific source of corruption.

There are two objections to the city owning a lighting plant. One is the sentimental theory that government should be reduced to a minimum. The other is that dishonesty is likely to creep into city boards. Without stopping to answer the first objection, it may be said in reply to the second that dishonesty is more apt to occur in letting contracts than in board management, and that in most cities, as in

Detroit, the boards of water, park, police commissioners and the like, are both honest and capable.

After all is said, the fact remains that the problem of municipal government is to provide the maximum of comfort to all citizens at the minimum expense. In the matter of public lighting it would appear that this is attainable only by the city owning its own electric light plant.

Municipal Revenue From Street Railways

BY DAVIS R. DEWEY, PH. D.,
MASSACHUSETTS INSTITUTE OF TECHNOLOGY.

There is no historical precedent in the United States for including street railways under the title of municipal public works. No city in this country has undertaken to manage street railways either for public service or municipal profits; indeed, there is more reason, as far as experience goes, for including steam railways in that category of public works which includes markets, water-works and gas trusts. A very large number of American cities do construct and operate their water-works; a few manage gas trusts, but none build and run street railways. Although street railways have never been treated as public works or municipal property, they have, nevertheless, been singled out as objects for special taxation for the purpose of special revenue; and a reference to the history of the earlier period of chartering such undertakings proves that, some thirty or forty years ago, many of the American municipalities did regard municipal ownership as a possible contingency. By the charter of the Metropolitan Railroad, of Boston, granted in 1859, the cities of Boston and Roxbury were given the right, at any time during the continuance of the charter of the corporation, to purchase all the fran-

chise, property, rights, and furniture of the corporation. Again, in Baltimore, by the terms of an ordinance passed in 1859, the city reserved the privilege, within two years after the expiration of fifteen years to purchase the property of the railway company, and it still possesses that privilege at the end of every fifteen years. So, in St. Paul, under the original grant of 1872, the city could, upon fulfilling certain terms, purchase the road after the expiration of ten years. This right was, however, waived by the city government of St. Paul at the end of that period, and this act has been confirmed by the legislature of the state of Minnesota. But one more illustration need be given. In New Orleans the property of each railroad, at the expiration of twenty-five years of enjoyment of the franchise, reverts to the city according to a valuation made by the joint parties interested.

It is obvious that most of the methods which have thus far been applied to raise this special revenue have no standing or significance whatever in any logical or comprehensive scheme of municipal finance. They are, as a rule, only accidental hap-hazard practices, characterized by little forethought or reason. A little revenue here, or a little there, to piece out the general tax on property valuation, is the principle generally followed. A few hundred or thousand dollars may thus be collected from street railway companies,—a trifling sum in comparison with the total municipal budget. In a few instances, however, a different principle appears to prevail, where the city obtains a certain percentage of the receipts; and in these instances it is possible to discover points suggestive to the student of finance.

Before proceeding to a description of these methods in detail, it is best to state briefly the actual legal position of the street railway companies and their relation to municipalities at the present time. Charters and state statutes check the municipal financier at every point; for, in general, a municipality can undertake no financial operations not specifically delegated to it by the power granting the charter. It has accordingly been generally held that street railways cannot derive their powers from city authority, but must resort to state legislation for primary indorsement and grant of privileges. Thus, in 1856, the Court of Appeals of the state of New York decided that the city of New York was not, by virtue of its general powers over the streets of the city, authorized to grant the right to construct a railway in one of the streets of the city for the transportation of passengers, for private gain. So, in Pennsylvania, the city of Philadelphia has no power, by ordinance or otherwise, to regulate passenger railway companies, unless authorized so to do by the laws of the commonwealth, in terms expressly relating to passenger railway corporations in that city. Such is the practice elsewhere; and, in general, it may be said that street railway companies derive their existence either from special acts of the legislature, or are built under a general railway act.

It is indeed possible for city authorities in some cities to control the construction of the street railways, and therefore possible, in a measure, to carry out a radical financial policy. In both New York and Pennsylvania, for example, it is provided that no street railway shall be constructed without the consent of the local authorities,—and in the grant of

this permission a bargain might be made which would practically result in the framing of a charter by municipal authority. Similar provisions are found in the state constitutions of Alabama, Colorado, Missouri, Texas and West Virginia.

The general taxing power of a city over street railway property may best be stated in the language of Mr. Dillon in his work on Municipal Law; although it is to be remembered that the legal status of these companies varies greatly in different states.

"The property of a street railway," Mr. Dillon remarks, "including its road-bed situated within the limits of a municipal corporation, is ordinarily subject to its taxing powers, and, if no different provisions be made, it has been held that street railroads may be taxed as real estate. An exclusive municipal grant to such a railway company, to use the streets in the municipality, does not exempt it from municipal control, nor deprive the municipal authority from the right otherwise existing to require the company to pay a license tax. Nor does the payment of a tax, or license, of a specified sum or amount on each car employed by a city railway company, to the city, as required by the contract between the company and the city, in which certain privileges are secured to the city, exonerate the company from the payment of an *ad valorem* tax on its property, horses, stables and shops, which are assessable for municipal purposes."[1]

The foregoing passage is a broad statement which will stand for a generalization. Nevertheless, codes, which are higher than the expression of municipal will, in some states check the taxing power. In California the civil code provides that the license fee cannot be more than fifty dollars upon each car per annum in the city of San Francisco, nor more than twenty-five dollars in other cities or towns. With these explanatory paragraphs it is possible to proceed

[1] Dillon, second edition, section 628.

intelligibly to the consideration of the present existing methods of obtaining special revenues from street railways.

An analysis of the replies made to the circulars sent out by the committee shows that there are eight different ways in use in American cities. These are as follows:

1. Ordinary taxation of real and personal property.
2. Car licenses; either according to the number of cars, or to the inside measurement or car-length.
3. Licenses from drivers.
4. General license on street railways.
5. Taxation of dividends.
6. Percentage of net or gross receipts.
7. Sale of the franchise.
8. Rent of the franchise.

There are two other forms of conditions which municipalities have applied to street railways which may be included as indirect methods of securing a revenue to the public from the profits of the companies. The first is a condition requiring the companies to construct bridges, and pave and keep streets in good repair; the second is the practice of selling periodically the franchise to the company which will reduce the fare to the lowest rate. By the first requirement the city secures, free of expense, no inconsiderable amount of improvement upon streets. In Cleveland, the railway companies are required to pave five feet for each track, and four feet between; in San Francisco the companies are obliged "to plank, pave, or macadamize the entire length of the street used by their track, between the rails and for two feet on each side thereof, and between the tracks, if there be more than one, and to keep the same con-

stantly in repair, flush with the street, and with good crossings." In nearly all of the charters which have fallen under the observation of the writer, some such provision is made. The commissioners of the District of Columbia in their report for 1886 call attention to the fact that in Baltimore the city has required the companies in paving between their tracks and rails to use comparatively smooth blocks, either of granite or asphalt, and they complain that no such provisions are in force in Washington. Repaving the streets is also generally included; in some cases even the construction of bridges, as in Philadelphia, where it is reported that one of the companies has contributed $100,000 towards erecting bridges over the Schuylkill river, on condition, however, that the company should have exclusive right to use these bridges for passenger railway purposes. A further illustration on this point may also be taken from the experience of Philadelphia. In 1886 the mayor of that city vetoed an ordinance making an appropriation of $70,000 for improved pavements on streets occupied by passenger railways. The ordinance under which the street railway franchise was granted, provided "that all railway companies shall be at the entire cost and expense of maintaining, paving, and repairing and repaving that will be necessary upon any road, street, avenue, or alley occupied by them." The mayor accordingly reasoned that there was nothing in the law to prevent the adoption by the city of improved pavements, and that there was nothing to relieve the railway companies from the expense of putting down such pavements and keeping them in repair.

As to the other provision, requiring the disposal of

the franchise to the companies which will offer the lowest rates of fare, there is little to be said. The charters of some of the Cleveland companies are, it is believed, the only ones which have incorporated such provisions.

Of the eight methods first enumerated that of revenue from ordinary taxation may be briefly dismissed. This provides for the taxation of the stock of companies in the same manner as other stock is assessed and levied upon. Occasionally the roadbed is taken into consideration in the valuation, and in exceptional cases the plant invested in the rails. In San Francisco an attempt is made to tax the franchise itself. According to a report published in "Bradstreet's" there "is no fixed rule to determine the valuation in that city, but it is supposed to be on the basis of deducting the taxed value of the real and personal property of the company from the aggregate value of the stock as shown by the sales of the first Monday in March of each year, and assessing the difference in value as the valuation of the franchise." There is little difference in principle between any of the three following methods: Car licenses, licenses from drivers, or a general street railway license. The first of these is by far the most general in use, but none of them are applied in a way which warrants them as deserving a very respectful consideration as financial expedients. There is no uniformity whatever in the rate of the licenses, the sum ranging, according to reports received, from two dollars and fifty cents per car in Springfield, Illinois, to fifty dollars in Louisville, Philadelphia and Chicago. Such sums are too petty to be seriously considered as a source of municipal

revenue. In Cleveland, Denver, Chattanooga, Milwaukee and St. Paul the license is but ten dollars; in St. Joseph and San Francisco, fifteen dollars; in Savannah, twenty dollars; and in Little Rock, twenty-five dollars. In seven cities in Pennsylvania, (Allentown, Chester, Erie, Harrisburg, Lancaster, Scranton and Williamsport) a special license is required. Cincinnati has adopted a different method of calculation by requiring a license fee of four dollars per linear foot, inside measurement of the cars.

No city, as far as can be learned, obtains any revenue from street railways by a tax on dividends. This, when levied, is a state tax, and can therefore be dismissed from consideration here.

We now arrive at the system of requiring the payment of a certain percentage of gross receipts, or of the net earnings of the railway companies; into the city treasury. The city of Baltimore presents the best illustration of this practice. In 1859, in the ordinance granting the franchise to the first street railroad company in that city, a provision was incorporated requiring the payment of twenty per cent. of the gross receipts of the company to the franchise and maintenance of public parks. It is said that this was the first time that an American city availed itself of the value of such a franchise. Since that year this rate of twenty per cent. has been cut down to nine per cent., and frequent attempts have been made to change the base of reckoning from gross to net receipts. As a result of such a policy the city of Baltimore has secured for its park system during the past ten years an average of $100,000 a year. In Cincinnati the railroad companies pay to the city two and a-half per cent. upon their gross earnings,

and in Mobile, Alabama, the company which was first organized agreed to pay one per cent. of its total receipts in lieu of all other taxes. Here it is to be remarked that all such methods of acquiring revenue need to be carefully studied, for, in consequence of the addition of some such provision, the companies are often relieved of all other burdens.

The last method to be described is the sale of franchises. The city of New Orleans appears to have had a consistent experience in the practice of selling street railway franchises for municipal profit. Through the courtesy of the comptroller of that city the writer has been furnished with copies of city ordinances going back to 1879, which clearly illustrate the methods followed. In 1879 the Administrator of Commerce was authorized to advertise in certain journals in New York, Philadelphia, Boston, Chicago and St. Louis, for sealed proposals for the purchase of the franchises of three lines. The franchises were to run until January, 1906, a term of twenty-five years. This was done, and most careful specifications were affixed, indicating the conditions of the sale and the obligations which must be assumed by the purchasers of the franchise. The highest bid received was $630,000, from the New Orleans City Railroad Company: and in accordance with the terms of the sale the franchises were delivered upon the cash payment of that sum. In 1883 an extension of time was granted for a term equal to the number of years of the other franchise, but in return the company bound itself to pave the city portion of the streets over which the extension was made, with such pavement as the city might select. In 1881 $300,000 was paid by the St. Charles Street Railway

Company for franchises, and again in 1882 a right of way was sold to another company, on condition that it pave certain streets at a cost apparently of about the same sum. Other more recent ordinances show that this policy is still maintained. In 1886 nearly one-eighth of the total expenditures for the year was met by the sale of one of these franchises.

In the early history of railway legislation in New York there were instances where the city obtained a certain share of gross receipts, as well as a license fee for each car. This was especially the case with certain grants made to the New York and Harlem Company, when ten per cent. of the gross receipts on certain extensions was secured by the city.

The recent discussions and agitation in New York over this question are probably familiar to all. In 1884 a law was passed by the state legislature giving the aldermen the option of selling franchises at auction to the highest bidder if they saw fit to do so. This, however, was not compulsory and, in the words of the chief magistrate of that commonwealth, "the aldermen refused to permit the city to avail itself of the power to dispose of the franchise of Broadway for what it would realize at an honest public sale, and without exacting a dollar's compensation gave the franchise away to a corporation that had purchased a majority of the votes by which the outrage was consummated. All this was done against the protest of the citizens and in spite of the fact that millions had been offered the city by responsible parties for the same franchise." In 1886 another bill was passed, remedying this defective legislation and *compelling* the authorities to sell at auction to the highest bidder. This bill provided that the fran-

chises must go to the bidder offering the largest percentage of gross receipts. In accordance with this the sales of the franchises for two distinct routes in New York city were advertised to be sold on April 14, 1887. The sales were however postponed and re-advertised for May 31. On that day bids were received, and for the Twenty-eighth and Twenty-ninth street franchise a premium of twenty-six and two-tenths per cent. was bid, and for the Fulton street cross-town franchise thirty-five per cent. In addition to the payment of a percentage of the gross receipts, as required by the law of 1886, it is distinctly declared in the recent notice of the sale of franchise that the purchaser will be liable to pay annually into the city treasury, for the first five years three per cent., and thereafter five per cent., of the gross receipts as required by the law of 1884. It should be noticed, however, that the requirement of a percentage of gross receipts as uniformly applied to all companies, young or old, wealthy or struggling, is by no means just. In Baltimore, for example, some of the roads which have been long established, and which have the best paying traffic, could well afford, judging from the continued high rate of dividends, to pay more than nine per cent., while other corporations which cover districts not so densely populated, and which are not yet strongly established, find it difficult to pay any percentage whatever, and and in some cases show repeated deficits in their budgets. Such a rule, not rationally applied, will certainly hinder new extensions of lines.

We now come to the last method enumerated,—that of rental. In Providence, in addition to the customary taxes. the city council levies an annual

assessment amounting to $8,000. This is an arbitrary sum and can be changed at will. This tax, though nominally laid as a compensation for use or rent of the streets, practically amounts to a franchise tax. At first there was some controversy over the payment, but the courts have finally decided that the assessment is lawful.

In addition to the data which have just been stated there is little to be said. Except in New York there is almost no popular sentiment in favor of making the municipality an owner or partner in street railway undertakings. Boston has recently had an opportunity to make such conditions if she would,—but such a suggestion hardly came to the surface in the prolonged discussion which has taken place in regard to street railway management. Radical changes have been made in Chicago, but there has been no attempt to give the city greater control. It is therefore probable that, for a considerable term of years at least, the cities of the United States will continue the policy of giving their streets to corporations which can control the most votes, without regard to the financial interests of the public.

Powers of Municipalities Respecting Public Works.

BY FRANK J. GOODNOW, ADJ. PROFESSOR OF ADMINISTRATIVE LAW, SCHOOL OF POLITICAL SCIENCE, COLUMBIA COLLEGE.

The governmental functions which are often discharged in cities are of two distinct classes. They first, relate to the general goverment of the country and second, are purely local in their character. The general functions are those relating to the policy of the state at large; in detail, those affecting its political organization and civil administration, in matters of education, of provision for the poor, of military organization, of the means of travel and transport, and especially for the general administration of justice. But these are not the only functions or even the most important which a city must discharge; for while the inhabitants of a thickly populated district feel the need of most of these branches of the administration as much as those of the rural districts, they have other distinctly local wants, which arise from the mere fact of the greater density of the population. As Judge Dillon has said in his work on Municipal Corporations: "The primary and fundamental idea of a municipal corporation is an agency to regulate and administer the internal concerns of a defined locality in matters peculiar to the place incorporated, or, at all events, not common to the state at large or people."

In many cases this distinction is so marked as to cause a complete separation of these two classes of functions. To the administrative districts of the state is given, even where there exists within them a city organization, the control of those matters which, it is believed, affect the state at large and not the locality, while the city attends to its local affairs only. But in others, the state has seen fit to transfer to the city organization, created mainly for purely local purposes, the administration of these matters of general interest. We have thus the discharge in a given locality of these two classes of functions. It is necessary to keep this fact in mind, as on it depends the other fact that in all states the central govenment has considered it necessary to reserve to iself a certain control over the actions of the municipalities. The central government cannot, on account of the great interests at stake, afford to give the municipalities free hand in the performance of all their functions. Those which affect the interests of the state at large, such as the preservation of the peace, the administration of justice, the care of the public health, public charity and public education, must be discharged in such a way that the central government may exercise a restraint over the actions of the localities, else disintegration would follow and we should reach the political condition of the feudal state. On this account the central government either takes into its own administration the care of these matters or exercises a control over them which aims at securing uniformity and preventing the abuses which are apt to arise from local selfishness. All other matters attended to by municipalities are really local in their charac-

ter; and in a scientifically arranged system of government they will be regulated mainly by the localities which they affect, if recognition is given to the truth of the principle that localities, like individuals, know best what they need and how to minister to their needs. By this I do not mean that the state is to give the localities perfect freedom of action. On the contrary, as the satisfaction of these wants requires the expenditure of money, and as the purse of the state, as a whole, is composed simply of the aggregate of the purses of the localities, it is necessary in order to prevent a possible depletion of the pecuniary resources of the state, that it reserve to itself the power to prevent an extravagant locality from making a foolish expenditure, or one which is beyond its powers. This, then, is the line along which the central control over municipalities will run in a country in which the principles of political science have been followed in its administrative law. The actions of the localities must be subject to a central control, in so far as they affect the policy of the state at large, or the financial administration of the localities themselves.

This control may be exercised in two ways:

First—The state may, by its laws, grant to the localities a very wide freedom of action, but may make the consent of its executive officers necessary for the validity of the acts of the local bodies, which affect directly the branches of the administration to which we have alluded. This kind of control has often been called the administrative control, and the states, in which it has been the most developed, are often called highly centralized states.

Second—The sphere of action of the localities may be fixed in detail by law, but within their sphere they may be completely free from any control to be exercised by the executive officers of the state. It thus appears as if there were no control at all over the actions of the localities; but as their sphere of competence is so narrow, and as the principle of law is often adopted that a locality must show some express authority of law for every thing that it does, it really follows that there is here a much smaller degree of freedom of action than in those states in which the administrative control exists, and where at first sight it appears as if there were so little local autonomy.

This latter plan has been followed in the main in this country.

The law states in detail what a municipal corporation may do, and requires that it have an express power to act, else its action is *ultra vires* and void, unless the power which it is desired to exercise is to be derived by necessary implication from the express powers conferred. Judge Dillon, the American authority on this branch of our law, gives a good statement of the powers of American municipal corporations in his book on that subject, from which I have already quoted. He says:

"It is a general and undisputed proposition of law, that *a municipal corporation possesses and can exercise the following powers and no others:* First, those granted in *express words;* second, those *necessarily or fairly implied* in or *incident* to the powers expressly granted; third, those *essential* to the declared objects and purposes of the corporation, not simply convenient, but indispensable. Any fair, reasonable doubt concerning the existence of power is resolved by the courts against the corporation, and the power is denied. Of every municipal corporation the charter, or statute by which it is created, is its organic act. Neither the corpo-

ration nor its officers can do any act, or make any contract, or incur any liability, not authorized thereby. All acts beyond the scope of the powers granted are void."....."These principles are of transcendent importance, and lie at the foundation of the law of municipal corporations."

We must, then, in accordance with the law of this subject, go to the charter, or statute governing the corporations, if we would know what are the powers of our American cities. What now is that law?

In answering this question I shall attempt to treat only of the various general laws for the incorporation of municipalities, since it would lie far beyond the limits of time allowed me to treat of the various special charters. The constitutions of eleven of the United States enact that the Legislature shall provide for the incorporation of cities by general law. In all of the general laws passed as a result of these provisions, we find a long enumeration of the powers which the municipalities may exercise, but seldom, if ever, any general grant of local governmental powers. The most important power which a city can have is the power to establish and maintain institutions and enterprises of a distinctively public character, and of special benefit to its inhabitants. Such institutions are, *e. g.*, water and gas-works. Let us see, now, how general is the power to carry on such enterprises: I have found that only three of the states which have enacted these general laws allow their municipalities to erect or operate gas-works. These are the states of Missouri, Ohio and Georgia. Nine permit their municipalities to construct and operate water-works. These are the states of Arkansas, California, Georgia, Illinois, Kansas, Michigan, Missouri, Nebraska and Ohio, while two (the states of Florida and Nevada), have not granted either of

these powers in their general laws for the incorporation of cities. In regard to the matter of water-works, it should be said, however, that a city having the power to pass ordinances respecting the police of the place, and to preserve the public health, has impliedly the power, by the decisions of several of the state courts, to procure a supply of water, and is the judge of the mode best adapted to accomplish this object. As this is a power given by many of the charters and special laws, it would seem to be generally recognized that cities may maintain water-works. What has been said of the general laws is also true of the charters of individual cities. Everywhere we find the same enumeration of the powers to be exercised—the same jealousy of any general grants. These are some of the instances of how far the legislatures have seen fit to go in the granting of local powers to municipalities, and will give an idea of how narrow is the sphere of action of our American cities. But while the original sphere of action of the cities is very small, within that sphere they may act with great freedom. Seldom do we find that their acts, in order that they may be valid, need the approval of an executive officer.

Of course few cities could be governed well, or even at all, while possessing so few powers. In order to be of much service to their inhabitants, they are obliged at almost every turn, when permitted by the state constitution, to go to the legislature to obtain, by special act, an enlargement of their powers. This habit has resulted in some of the states in a regulation by the legislature by means of special legislation of many of the local affairs of the cities within the boundaries of the state, and to the putting for-

ward of the claim by the legislature to decide, *e. g.*, what streets shall be paved, what expenses a city shall make even for its own purely local matters, such as the salaries of its own officers, etc., and even to appointment of officers. This habit of special legislation has led the legislature often not only to grant the cities power to act in cases which are not enumerated in their charters, but also to positively impose burdens on them which cannot be justified by any principles of fairness or even of expediency. In order to stop this habit of special and local legislation, and to prevent the legislature from forcing the cities into enterprises which they do not desire to undertake, the constitutions of several of the states oblige the legislature to provide for the incorporation of municipalities by general law.

The principle of law, requiring special authority of law for all acts of municipal corporations, has led further to the custom, and indeed to the necessity, of appealing to the legislature whenever it is wished to borrow money. It has often been supposed that this principle of law was a protection to municipal corporations, inasmuch as the legislature might refuse the authority to incur unwise debts. It has, however, proved of little or no advantage to them. The legislature has seldom refused the demand for authority to incur debts, so that many cities are now overburdened with debts which have originated in legislative authorization, if not in actual legislative compulsion. On this account in many of the states the constitution also provides that municipalities may not incur a debt which is larger than a certain proportion of its assessed valuation for the purposes of taxation, whatever may be the action of the legislature.

Such are in general the powers of American municipalities, and few they are, as you see. The system is one of minute legislative enumeration, and little or no administrative control.

In England almost the same method of state control over municipalities has been adopted as in the United States. But while the powers of cities have, as a general rule, been granted in detail by law, we find that Parliament has been much more generous in its grants than the average American legislature. The great Municipal Code is the Municipal Corporations Act of 1882. This has reference mainly to the organization of municipal corporations, and governs only those urban communities which are technically and legally municipal corporations.

Perhaps right here I ought to explain the general plan of English municipal government. The municipal boroughs are the only strictly municipal corporations. Whether a given aggregation of inhabitants is a municipal borough is dependent entirely on historical causes, on whether it has received a charter, but municipal government is not at all confined to municipal boroughs. The various public health acts, especially the last one—the Act of 1875—have given the power to thickly populated districts, on their own motion, or at the instigation or the Local Government Board at London, to form themselves into urban sanitary districts, with a board of health at their head as their municipal authority, which has almost all the necessary powers of municipal government. It not only has all necessary sanitary powers, from which it takes its name, but is in the eyes of the law a corporation; may make contracts and incur indebtedness, has the control over the streets

within the district, may supply water to its inhabitants as well as gas, and may pass police regulations for the prevention of fires and for the regulation of hackney carriages; in fact, has all the powers of local government. It has not, it will be noticed, any powers relative to the system of public education, public charity, the preservation of the peace, or to the judicial system, all of which branches of the administration are attended to by the regular administrative organs of the state at large.

In addition to these urban sanitary districts there are also what are known as local government districts, which are very similar to the urban sanitary districts, but are governed by special charters and differ somewhat in the details of the administration.

The Municipal Corporations Act of 1882 and the Public Health Act of 1875, to which I have already referred, enumerate in detail the powers of both these classes of municipalities and give them a comparatively wide freedom of action in matters of purely local concern. Thus one clause of the Public Health Act gives to all urban sanitary authorities (among which the borough or city authorities are included), the power to erect and construct water and gas-works in those cases in which there is no company authorized by Parliament for such purposes, while another clause permits these same urban authorities to purchase the rights of existing water and gas companies with their consent. In several cases, however, where powers have been granted to municipalities of both the classes which we have mentioned, *i. e.*, general and local, their exercise is conditioned upon obtaining the consent of some one of the state authorities at London, whether the local government board or

the treasury, or is to be under state control. This is especially true of the power to incur indebtedness.

Besides these acts, which confer powers embracing more or less the whole field of local government, there are acts of a somewhat special character, *i. e.*, acts which, though applying to all municipalities, confer only a single power. Such are the Labourers' Lodging Houses, The Artizans and Labourers' Dwelling Houses, and The Artizans and Labourers' Dwelling Houses Improvement Acts. These give the municipalities very wide powers in the erection and carrying on of lodging houses and dwellings for the working classes. By these they may purchase lands and erect houses, and borrow money and carry on the business of renting out rooms in lodging-houses. In case of some of these powers, also, the approval of the treasury and of the local government board at London must be obtained. In one case, however, that of a general improvement scheme for the whole town, or of a large district, when a large expenditure of money or the accumulation of a large debt is necessary, the municipality desiring to enter into such an undertaking must get its scheme confirmed by Parliament, also by means of a special act: of course, this plan does not prevent municipalities from obtaining other powers by means of special acts, but these are not so common as with us. But notwithstanding these large powers which municipalities possess, they are often compelled to apply to Parliament for special powers.

It will be noticed that with this extension of the original powers of local government of cities, there has been formed an administrative control over them to prevent them from extravagant actions.

We have, therefore, in England a mixed system of enumeration of municipal governmental powers by law, and of the necessity of administrative approval by state authorities for certain important acts.

In Germany the entire system of local government is completely dominated by the principle of the division into general and local functions, to which allusion has been made. While in our system the administration of general governmental affairs has been given to officers who are chosen in the localities, in Germany, and especially in Prussia, matters of general government are attended to by officers chosen by the central government, while those affecting simply the localities are given into the hands of provincial and other local officers. This is true not only of the country at large, but also of the cities. In some of the larger cities like Berlin, the state has a special officer, known as the police president, who has to administer all matters of police in the wide sense of the word. All other matters of general interest are put into the management of the town council, whose members need the approval of the state government in order that their election or appointment be valid. In the smaller cities all matters of general interest managed by them, including police matters, are attended to by the town council. The decision as to purely local matters in all cities is given to another body—the municipal assembly elected by the citizens, and not subject to any state approval as far as their election is concerned. The decisions of this body to be valid must receive the approval of the state officers when they alienate town property, incur indebtedness or impose new or large taxes. This is almost the only direct control which is exercised

over the local affairs of the town, *as the general principle has been adopted that cities may, as far as their resources allow, establish all sorts of institutions and engage in all kinds of enterprises which can further the material or intellectual welfare of their members.*

The only other method of control that exists results from the fact that the governmental powers within the cities are so distributed as to give to the assembly only powers of deliberation and decision, while the execution of their decisions is in all cases given to the town council and its president—the burgomaster. As his appointment is valid only when approved by the state government, and as he must by law refuse his consent to the execution of all those decisions of the municipal assembly or town council which exceed their powers, are in violation of the law or are not in accordance with the welfare of the state, as a whole, or of the locality in particular; and as in the case of his refusal to act, the matter in dispute to be finally decided by purely state officers, we find the central administrative control almost complete.

We see thus that Germany has adopted the system of control which has been called the administrative control, and in accordance with which the legislature grants to the localities a wide freedom of action in local matters, but reserves to itself as represented in its executive officers the power to forbid their acting unwisely or extravagantly.

In France very much the same system exists. The law in force is the Municipal Corporations Act of 1884, and is the final step in a long process of administrative decentralization. By this law the principle is laid down that the municipal council elected by the citizens of the city, governs by its

decisions all affairs pertaining to the city. Such decisions are not subject to the approval of any authority except when this is made necessary by an express provision of law. That is, the presumption is always in favor of the city's having the power to act of its own accord and subject to no direct control. The cases which need the approval of some higher authority are enumerated in the law, and apply to such decisions as affect seriously the future financial condition of the city, or such as may derange the general tax system of the country. For instance, decisions alienating or acquiring landed property, or making long leases thereof, or imposing heavy taxes or incurring debts, need the approval of some higher authority. As a general thing this approval is to be given by the Prefect, who is appointed by the central government, and in such a case acts as its representative. In a few cases the approval of the president of the republic is necessary. In very rare cases, as when a city desires to make a loan of over a certain amount, is a special act of the legislature necessary. Finally taxes may be levied only within limits fixed by the general council of the department, a representative body corresponding somewhat to our Board of Supervisors or County Commissioners.

The system in France is, we see, one in which large municipal freedom is granted by law, while certain of the important acts relating to municipal affairs must, to be valid, receive the approval of the executive officers of the state. We have here again a system of administrative control.

Such are the answers which are given by the most important modern systems of administration to the

first question on which I have been asked to report to you this evening, viz.: What are the powers of the modern city? From them we must conclude that foreign municipalities, especially those on the continent of Europe, have a much greater freedom of action than those in America.

The second question on which the chairman of our Committee on Public Finance asked me to report is, What in general is the use which foreign cities have made of this greater freedom of action?

This question is one which an economist or a statistician rather than a lawyer should attempt to answer, but I shall endeavor to lay before you such few facts as I have been able to gather.

In what follows I shall give statistics only in regard to the subjects of water-works and gas-works, and in one or two cases in regard to the matter of local tramways or horse railways. I must also beg indulgence for the meagreness of what I shall have to say in reference to the cities of the continent for which it is almost impossible to obtain any statistics at all.

First, then, as to England. Here the statistics are comparatively full and also reliable. The reports of the English board of trade and the local government board at London contain almost everything that we desire. We find in the Parliamentary papers of 1884–5, that in the year 1883–4 there were in England and Wales, out of a total number of 239 municipal boroughs, 1,006 urban sanitary districts and 577 rural sanitary districts, 121 municipal boroughs, 220 urban sanitary districts, 4 joint boards for special purposes, 83 rural sanitary districts, which received money from water-works.

Of these the municipal borough of Manchester received the most, viz.: £218,678.

Sixty-three municipal boroughs and 62 urban sanitary districts had gas-works. The municipal borough of Birmingham received the most money, viz.: £455,920.

Out of 155 tramways in the United Kingdom, 27 belong to local authorities.

In the financial year 1883–4 the amounts of money received from water-works by municipal boroughs was £1,628,585; by urban sanitary districts £267,810; by rural sanitary districts £19,166. From gas-works the municipal boroughs received £3,056,559; the urban sanitary districts received £307,489. From tramways the municipal boroughs received £81,980. The urban sanitary districts received nothing from tramways, while the rural sanitary districts received nothing from tramways or gas-works. In this same financial year the outstanding loans were, for water-works, £25,297,301 by municipal boroughs; £3,096,847 by urban sanitary districts; for gas-works, £11,378,834 by municipal boroughs, £1,674,394 by sanitary districts; for tramways, £787,490 by municipal boroughs.

The few statistics I have been able to obtain in regard to the cities in Germany, I have been obliged to pick up where I could find them, but unfortunately seldom out of public documents.

Thus I find the statement in the *Zeitschrift für die gesammte Staatswissenschaft* for the year 1875, vol. 34, p. 307, that all the water-works in Germany are city institutions. Originally Berlin and Frankfort-on-the-Main formed exceptions to this rule, but, in 1873 and 1875 respectively, they bought up the companies and now control these enterprises. This

statement is made in an article on the subject of water-works written by a Dr. Hack.

In 1887, out of a total number of 482 gas-works, 220 were owned and operated by the cities. In Prussia, out of 277, 145 were owned and operated by the cities; in this state, further, the production of gas by the city works was considerably more than twice as large as that of the private works; further, the cities had over eighty-two million marks invested in gas-works, while only about twenty-eight million marks were invested by private companies. (*Zeitschrift des Kön. Preuss.* Stat. Bureaus, volume 18, p. 453–68.)

In France the cities seem to have imitated the state in the manner in which they have availed themselves of their privileges of local government. The way in which the state has treated the railway question is already well known to you all. It has granted to companies, which are practically monopolies, the right to build and operate railways, reserving to itself the right to exercise an extensive control over both the technical and commercial operations of the companies through its executive officers. The same plan has been adopted by many of the cities. The city of Paris is a good example of this method of treatment. Let us take the administration of this city into consideration and see what this method is in its details. My authority for what will be said on this subject is a book called *Administration de la Ville de Paris,* edited by Mr. Maurice Block, and published in the year 1884. The city now owns all the water-works, some of which it has bought from a company called the Compagnie Générale des Eaux. This company formerly supplied water to certain of

the small towns that at one time had a separate existence, but are now parts of the city of Paris. The city is the absolute and final judge as to what waters shall be used, and what shall be made use of for private, and what for public use. It constructs and maintains all the aqueducts, reservoirs and machinery necessary to bring the water into the city. It retains what water is necessary for the public consumption of the city, that is, for watering the streets and caring for the public buildings; but gives the company all the water that is needed for private or house consumption. The duty is placed upon the company to conduct this water into the houses of the people desiring to use it, and the company is allowed to collect all the money coming from the rates that are charged for its use. This it must turn into the city treasury, retaining for its services a certain percentage of its receipts. The contract of the city with the company fixes the rates that may be charged, and regulates the kind and price of the work which the company may do for those who take water from it. The contract with the company lasts till 1911.

In the matter of the gas the city has reserved to itself less actual administration of the subject than in the case of the water. The gas franchise has been given to one company, known as the *Compagnie Parisienne*, which has a monopoly within the city. The city has reserved to itself the right to inspect the quality of the gas, which must have a certain illuminating power, and to indicate to the company what streets must be provided with gas mains, and to demand of the company a certain rent for the use of the streets, besides a tax of two centimes for every cubic meter of gas consumed in Paris. The

price of the gas to be furnished is fixed for both public and private consumption, and at the end of the time for which the franchise was granted all the works of the company become the property of the city. Provision is also made to prevent the company from increasing its capital stock beyond a certain limit, and for the payment of the bonded indebtedness of the company before the city becomes the owner of the gas-works.

The same rule has been followed in the granting of franchises to the omnibus and tramway companies—that is, the city grants, as far as possible, a monopoly to the companies, but reserves to itself quite an important control over the actions of the companies. As far as the omnibus lines are concerned, the city is to share in the profits when they exceed a certain limit, and at the end of the time for which the franchise was granted becomes the owner of all the property of the company which is used for the transportation of passengers. The tramway seems to be considered a matter which is to be of benefit to the general government, as well as to the city of Paris. The contracts entered into by the government with the departments or cities provide that, at the expiration of the franchise, the central government shall have the right to step into all the rights of the grantees of the franchise, and may take all the property from the local governments at a price fixed by experts, or may decide to have the rails removed and the streets placed in their original condition.

This is then the degree to which foreign cities have availed themselves of their powers of local government. It would seem that the English munici-

palities have decided to take more matters into their direct administration than the cities on the continent, notwithstanding the greater powers which continental cities have by reason of the general clauses in the continental municipal corporations acts giving the cities the right to do almost anything that can be of benefit to them. On the continent the German cities seem to have taken more matters into their administration than the French, while the French cities seem to prefer the method of administering public enterprises which is so characteristic of the entire French system, viz.: the granting of a monopoly with the reservation of public control and the final assumption by the state itself, or by some one of its administrative divisions, of the property of the company, while in the meantime it is to share in the profits of the franchise that has been granted.

INDEX.

VOLUME II.

Publications of the American Economic Association.

A

Adams, Prof. Henry C., references to, 128; chairman of the Committee on Public Finance, 504; author of Relation of Modern Municipalities to *Quasi*-Public Works..... 507
Alexandria, municipal ownership of gas-works in.... 523
Allegan County, coöperation of Patrons of Husbandry of..... 33
American Coöperative Union 101
American Gas-Light Association 513, 518
American Grange Bulletin .. 18
Apothecaries, mediæval.... 425
Appprentices, mediæval.... .....373, 453, 456, 467, 479
Armstrong, on trading in 1519..... 363
Ashley, W. J., author of Early History of the English Woollen Industry .. 298
Ashtabula County, creameries in..... 29
Atkinson, Edward, on savings effected by railroads.. 286

B

Bainbridge, coöperative cheese factory at,..... 27
Bakewell, *see* Blackwell....
Baltimore, street railways in, 552, 556, 558, 561
Bank of Pennsylvania, loans of, to the state 154
Bay City, Mich., electric lighting in..... 547
Beale, W. J..... 33
Beck, Senator, on constitutionality of Inter-State Commerce Act.....281–282
Berwick-on-Tweed, relation of guilds and town government in.....421–422
Bird, Henry..... 92
Black, Judge Jeremiah, on conservatism of rural population..... 10
Blacksmiths, mediæval guild of..... 369
Blackwell..... 361
Bloomington, Ill., mining company at..... 87
Bodin, Jean..... 127
Boot and Shoe Coöperative Association of Detroit.... 98
Boston, street railway charters in, 551; sentiment in, with regard to municipal ownership..... 562
Brabançons..... 346
Brass, William, on canals.. 290
Breitenstein, H..... 80
Brembre, Nicholas.....362, 444
Brentano, on early guilds, 311; on origin of Anglo-Saxon guilds, 389; on Anglo-Saxon boroughs, 414; on origin of craft-guilds, 434; on triumphs of guilds, 442–443; on sales by candle-light 452
Bridge Companies..... 139
Battle Creek Coöperative Association..... 33

Brush Electric Lighting Company of Detroit, 539; Judge Cooley on injunction against, 541; towers of.... 542
Buckeye Mining Company.. 84
Burellers..... 321
Burgess.....416–417, 422–423
Burghers, antagonism of, to guilds..... .....319, 440

C

Cadmus, coöperation at..... 37
Caine, John T., 109, 114–115, 117
Canals, early prospects for in Pennsylvania, 134; Chesapeake and Delaware, 137; Schuylkill Navigation Co.; 138; convention of representatives of, 141; commissioners of, 142; the Pennsylvania, 143; compared with railroads in traffic, 278–279; in transportation, 288–291; and railroads in rates..... 291
Canons of Laon..... 330
Capital, tax on, in Pennsylvania, 211–212; wasted in railroad construction, 283–284; and labor, opinion as to early conflict of, 476–477; in gas-works.....517–518
Carey, Matthew.....145, 150
Carpenter's Coöperative Association, of Decatur, Ill.. 94
Carpenters, mediæval..... 477
Central Business Agency, of Ohio.....15, 17
Central Furniture Co., of St. Louis.....90–91
Chambers, Joseph, agent of State Grange at Chicago.. 35
Cheese, manufacture of..27–29
Chesapeake and Delaware Canal..... 137
Chicago, growth of, 519; sentiment in with regard to municipal ownership..... 562
Chicago Coöperative Packing and Provision Company.. 99
Christianity, influence of, in formation of early guilds 390–393
Christian Review, on speculation in 1844.....158–159
Cincinnati, revenues from street railways in..... 558
Cincinnati Grange Supply House.....17–24
Circular sent to municipal authorities.....522–523
Cleveland, electric lighting in, 549; revenue from railway companies in 555
Cleveland Coöperative Stove Company 94
Cloth, manufacture of, in twelfth and thirteenth centuries, 325–328; exports and imports of, 339–340, 362; increased manufacture of, in England, 351, 353; explanation of rise of trade in, 354–355; finishers of, 355–356; sale of, in fairs, 360, at Blackwell..... 361
Clothiers, mediæval, 375–376, 378; act of Edward IV on.....377, 380
Clothmakers.....370, 372
Cnighten-guilds.....395–396
Cobblers, mediæval..... 452
Coddington, V. W..... 93
Code, civil, of California, on license fees for street cars, 554
Cologne, growth of importance of..... 332
Colorado Coöperative Mercantile Association, of Denver..... 81
Columbus, water supply in.. 536
Commissioners of canals.... 142
Competition, failure of to regulate railroad rates, 255, 264; impotency of, in water-works, 511; in gas companies in New York.. 512
Connecticut, water-works in 524, 526
Constant, Kansas, coöperation at..... 37
Contests of plebeian artisians and patrician burghers..... 440
Convention of canal representatives..... 141
Converse, J. O., editor of Geauga *Republican*..... 27
Cooley, Judge.....246–248, 541

Coöperation, Three Phases of, in the West, 3; among farmers, 9; in Ohio, 15; in creameries, 26, 30; in Indiana, 31; in Michigan, 33; in Illinois, 34; in Missouri, 35; in Kansas, 35; in Nebraska, 38; causes of failure of, 39; inferiority of, to competition under certain conditions, 40; lack of proper legislation for, 42; inadaptation of rural life to, 43; opposition of middle men to, 45; residual benefits of, 46; among wage-earners, 49; attitude of laborers to, 50; "individual," opposition of socialists to, 51; integral, 61; distributive, 67; productive, list of companies of, 82–84; in mining companies, 84; of furniture-makers, 90–92; in planing mills, 92–93; causes to retard its development, 101–105; among the Mormons, 106–119; in irrigation, 114–116; and religion.....118–119
Coöperative Association No. 1.....69–74
Coöperative Coal Company at Peoria..... 87
Coöperative Furniture Company of Cincinnati.....91–92
Coöperative Reed Chair Factory of Michigan City.... 92
Coöperative Stove Company of Bloomington..... 95
Coöperative Tile Company of Cable, Ill..... 96
Cordwainers.....452, 470
Corporation, taxes on, 210; rise of from guilds....370, 449
Court of Appeals of New York, on powers of municipalities over street railways..... 553
Court leet..... 459
Covin and conspiracy..... 471
Craft-guilds, transformation of, into class corporations, 372; origin of, 430; objections to Brentano's views, 435; development of, under the early Normans, 436; relation of, to guilds-merchant, 439; early charters on, 444; the outgrowth of mediæval policy, 447; ordinances of, 451; prohibition of night work by, 452–3; and encroachment of episcopal lords, 459; true nature of, 465; judgment as to merits of, 479; limitations of, on members 479–480
Creameries, coöperative....26–30
Credit of Pennsylvania restored..... 189
Croes's work..... 537
Cullom bill, report of, in 1886, 265–272; constitutionality of, 273–274, 281–283; reflections on, 274–277; Senators Morgan and Stanford on, 293–295
Curtis, Judge, on creditors of Mississippi.....159–160
Cutlers..... 453
Cuyahoga county, creameries in..... 29

D

Danville, municipal ownership of gas-works in..... 523
Davis, Mr., on federal regulation of railroads..... 259
Debt of Pennsylvania, history of, 151; report of committee on, 153, 154; amount of, in 1831, 156; increase of, to 1836, 157; appointment of a commission on, 166; interest on, 183, 187; refunding of..... 193
Detroit, water-supply in, 536; electric lighting in....539, 545
Development, economic, effect of railroads on..248–250
Dewey, Dr. D. R., 503, 505; author of Municipal Revenue from Street Railways, 551
Dillon, Judge, on taxing power of a city over street railways, 554; on municipal corporations..... 563
Discriminations in railroads, 265
Domestic creditors..... 176

Domestic system.....366-367
Drapers, mediæval.....
..354, 357, 358, 359, 360, 361, 371
Dyers, mediæval, 318; and fullers, contests of, with municipal authorities...441-442

E

Early History of English Woollen Industry..... 298
East Side Planing Mill of Kansas City..... 93
Edward, I, industrial effects of reign of, 320; III, encouragement of immigration of workmen from Flanders, 335; IV, act of, on clothiers, 377; VI, confiscation of guilds' estates 374
Eglinton, integral coöperation at..... 62
Electricity, superseding gas for lighting purposes..... 549
Electric lighting, system of, in Detroit, 503, 545; tables of cost of, 546-547; in various cities.....547-549
Ely, Richard T., Introduction to Historical Sketch of the Finances of Pennsylvania..... 126
England, state control of municipalities in, 570; statistics of municipal corporations in, 576, 577; gas-works in, 576; water-works in..... 577
Ensign, E. F..... 16
Evening Journal, of Detroit, figures of, for electric lighting..... 546-547
Exports and imports of wool and cloth.....339-340, 362

F

Fairburg, Ill., coöperation in mining at..... 86
Fairs in middle ages..... 360
Family theory as to origin of guilds..... 397
Fannie Allyn Coöperative Association.....69, 72
Farmers, coöperation among, ...dependence of, re-10-11; organization into Patrons of Husbandry, 12; productive co-operation in creameries among, 26; inadaptation of life of, to coöperation, 43; general indebtedness of.. 45
Federal government, extension of functions of..... 246
Ferm..... 348
Feudal system..... 431
Finance, science of, 508; distinction from Political Economy..... 509
Finances of Pennsylvania, 179; act of 1845, 183-194; from 1845 to 1849, 199; sinking fund, 190; in 1886 204; constitutional provision for..... 221
Fink, Albert, on canals..... 289
Flanders, export of wool to, from England, 333-334; emigration of workmen from, to England..... 335
Flemings, the.....337-339, 346
Flemish industry, destruction of..... 366
Fontanet, Ind., coöperation at..... 87
Foreigners, mediæval, in weavers' trade in London, 342-345; opposition to, in England, 407; and freeman, distinction between, 449-450; reception of..462-463
France, state control of municipalities in, 574; water-works in, 578; gas-works in..... 579
Franchises, sale of, to street railway companies, 555; sale of, in various cities.. 559
Free-masons..... 477
Fremont, manufacture of headers at..... 38
Frith-guilds..... 421
Functions of government, 563-564
Fuller, account of, of foreign settlers in England....337-339
Fullers, mediæval, 318, 357; and dyers, contest of with municipal authorities.....441-442

Furniture-makers, coöperation of.....90–92

G

Gas, tables of prices of, 514; cost of production of, 515-516; amount of capital in, 517; companies in New York, 512; legal price of, in Richmond, Ind., 529; and electricity in Detroit 540–544
Gas-works, municipal ownership of, in five towns, 523; principles of municipal control over, 527; in England, 577; in France, 579; in Germany..... 578
Geauga County, creameries in.....27, 29
Germany, state control of municipalities in, 573; statistics of municipal works in..... 578
Glovers, mediæval..... 453
Goodnow, Prof. Frank J., 503, 505; author of Powers of Municipalities Respecting Public Works..... 563
Goodwin, Mr. W. W., on gas question..... 513
Gossage, William..... 101
Government, relation of, to transportation.....239–241
Grangers, movement of, 12; stores of, in Ohio, 15; Cincinnati Grange Supply House, 17; Central Business Agency, 15; at other places, 25–26; in Indiana, 32; agitation of railroad question by..... 261
Green, E. T..... 37
Grocers, mediæval, 363, 425; petition against usurpations of, 444; company of, in London..... 448
Grummond, Mayor of Detroit..... 540
Guilds, mediæval, establishment of, 308; relation of, to governing bodies, 313; laws for government of, 316; burghers antagonistic to, 319; of merchants in Cologne, 333; of Flemings at Brabançons, 346; classes of, 351-352; decline of system of, 366, 370; of blacksmiths, 369; overthrow of system of, 374; Mediæval of England, Two Chapters on, 381; Anglo-Saxon, origin of, 389, 398; three kinds of, 390; influence of Christianity on, 390–391; and *wergild*, 393; privileges of members of, 408; relation of, to the town, 413; opinion as to existence of, in Anglo-Saxon period, 414; government of, not identical with that of town, 418-420; name for whole body of citizens, 427; contests of, with burghers, 440–441; lesser, 447; charitable, 448; membership in, 449; rules of, dependent on laws of realm, 456-457; members of, subject to civil authorities of London, 459-460; subject to town laws, 461-462, 464; etymology of word, 483-485; list of authorities for study of..487–493
Guilds-Merchant, (*Gilda Mercatoria*), 314; early origin of, 402-403; monopolizing internal trade, 405; organization of, 409; general regulations of, 411-412; connection of, with origin of municipalities, 416, 425; and borough, 420; second period in development of, 424; summary of chapter on..... 428–429

H

Hall, on discontent in 1525.. 378
Handicraftsmen.....431–433
Hanse (*Hansa*), of the guild, 407, 428; of London, 331, 354; Teutonic.....333, 356
Harrison, receiver of Cincinnati Grange Supply House 24
Harrison, Hon. Carter H... 51

Headers, coöperative manufacture of, by state grange of Nebraska..... 38–39
Henry VI, VII, VIII, ordinances of, on guilds....372–373
Hill, W. H., Manager of Central Business Agency of Ohio..... 15
Historical Sketch of the Finances of Pennsylvania, 134; introduction to..... 126
Hoar, Senator, on railroad question.....284–285
Howard, William.....27, 28
Huntington Coöperative Association of Indiana..... 32
Huntsville, coöperation at.. 87
Hyndenmen..... 394

I

Illinois, coöperation among farmers of..... 54
Illinois Central Railroad, 287, 288
Imports of wool and cloth into England in 1354...339–340
Income tax in Pennsylvania, 208
Indiana, coöperation among farmers of..... 31
Industry, four stages in development of, 367–368; condition of, in fifteenth century in England..... 369
Insurance companies, tax on, in Pennsylvania.....213, 214
Interest, certificates of, in Pennsylvania, 175–176; on debt of Pennsylvania..... 183
Internal Improvement Fund of Pennsylvania..... 143
International Working People's Association..... 51
Inter-State Commerce Act, 283, 291–293
Irrigation, coöperation in, 114–116

J

James, Prof. E. J., author of the Agitation for the Federal Regulation of Railways..... 244
Jenks, Prof., on road legislation for the American State..... 242
Johnston County Coöperative Association.....36, 55
Journeymen, mediæval.... 371, 470, 479

K

Kansas, coöperation among farmers of..... 35
Kempe, John..... 335
Kempfe, Augustus, on coöperation, 53; The Key of Industrial Coöperative Government, by Pruning Knife..... 65
Knight, Dr. G.W., 505; letter of, to chairman of committee on public finance.. 533
Knights of Labor, Coöperative Association No. 1, 69–74; in favor of coöperation, 57; and integral coöperation, 61–64; coöperation in mining companies....84–90
Kuechler, George, C..70, 73, 74

L

Labor and Capital in middle ages.....476–477
Laborers, attitude of, to coöperation, 50; statutes of, in England..... 474
Laissez faire, influence of, on municipal ownership of gas-works.....524–525
Lake County, creameries in. 29
Lancaster Turnpike..... 138
Lansing Coöperative Association..... 33
Laramie Coöperative Association.....78–81
Law, general, in America, on powers of municipalities.....567–568
Legislature, the, and municipalities.....568–569
Lehigh Coal and Navigation Company..... 138
Letter transmitting the report of the committee on public finance..... 501
Lewiston, Maine, electric lighting in..... 547

Licenses in Pennsylvania, from 1840 to 1846, 182, 214–217; fees for street cars in civil code of California... 554
Lighting, method of..... 511
Livermore, H. C..... 35
Livery Companies, mediæval 447
Local Government Board of England..... 570
Loans, tax on, in Pennsylvania..... 214
London, England, early municipal self-government in, 319; weavers' guilds in, 340–342; Ontario, electric lighting in..... 549
Loughbridge, Mr..... 259
Lunn, Dyer A..... 106

M

McGaughey, J. P.....58–59
McLooth, Kansas, coöperation at..... 37
Madison, Indiana, electric lighting in..... 548
Maegth..... 397
Manhattan, Kansas, coöperation at..... 37
Martha Washington Coöperative Association.....97–98
Masons, mediæval..... 477
Massachusetts, water-works in, 524; public ownership of works in..... 526
Matthews, Robert, on municipal ownership of gas-works and water-works... 525
von Maurer, on early guilds. 313
Mechanics' Furniture Association..... 91
Mechanics' Planing mill Company of St. Louis....92–93
Mercers, mediæval..... 363, 425
Merchant Adventurers, 364–366, 378–379, 424
Merchant-guilds, *see* Guilds-Merchant
Metropolitan Railroad, charter to..... 551
Michigan, coöperation among farmers in..... 33
Middle-men, hostility of, to coöperation..... 45
Miller, W. W..... 17
Mining Companies, coöperation among.....84–90
Misselden, account of imports and exports of...339–340
Mobile, revenue of, from street railways..... 559
Modern Municipalities, relation of, to *quasi*-public works..... 497
Monopolies, Natural, state control of, 128–129; tendency of transportation towards, 250; and municipalities..... 520
Montgomery, Ward & Co... 48
Moore, Charles, 503, 505; author of Electric Lighting in the City of Detroit.. 539
Morgan, Senator, on constitutionality of Cullom bill, 293–294
Morgan, T. J., report of speech of, in opposition to coöperation.....51–53, 55
Mormons, coöperation among.....106–119
Mound City, coöperation at.. 37
Municipalities, relation of, to public works in the United States, 501, 503, 507; revenue of, from street railways, 503, 551; and monopolies, 520; theories as to ownership of public works by, 523–525; control of, over public works, 527–531; ownership of electric works in various cities, 547–549; two objections to ownership of public works by, 549; relation of, to street railways, 553; sentiment with regard to ownership of public works by, in various cities, 562; powers of, respecting public works, 563; state control over, 565–569; state control over, in England, 570, 572, 581; in Germany, 573, 581; in France, 574, 581; ownership of public works by, in England, Germany and France.....577–579

Municipal Corporations Act of England..... ... 571
Mysteries, representatives of in Council of London, 351; act for regulation of, 352, 447

N

Nantes, council of, on guilds, 398
Naptha Gas Company of Detroit..... 540
National Coöperative Guild, 74–76
National Grange Bulletin.... 15
Neasham, Thomas..... 81
Nebraska, coöperation among farmers of..... 38
Nelson, N. O.....100–101
New England, public ownership of works in.....525–526
New Hampshire, public ownership of works in.... 526
New Orleans, street railway charters in, 552; sale of franchises in.....559–560
New York, gas companies in, 512; sale of franchises in, 560–561; sentiment in, with regard to municipal ownership..... 562
Nimmo, report on internal commerce..... 278
Notaries public, tax on, in Pennsylvania..... 209

O

Oakwood, coöperation at... 37
Ohio Valley Coöperative Pottery Company..... 96
Olathe, coöperation at.....35–36
Orth, Mr..... 259
Our Girls Coöperative Clothing Manufacturing Company..... 97

P

Pareur..... 355
Paris, public works in, 577; franchises to omnibus and tramway lines..... 580
Patricians, contests of, with plebeians in middle ages 440–444
Patrons' Coöperative Bank of Olathe..... 36
Patrons of Husbandry....12, 33
Penn, William..... 134, 196
Pennsylvania, Historical Sketch of Finances of, 123; causes of abandonment of her system of internal improvements, 130-132; public spirit of her citizens, 134; internal improvements in, 135; canal of, 143; history of debt of, 151; credit of, 159-160; revenues of, 163; failure of resources of, 167; finances of, 179; sinking fund of, 190; revenue act of 1885 of, 218-221, 225
Pennsylvania Railroad Company..... 148
Peoria, Ill., Coöperative Coal Company at..... 187
Peter of Edelmeton..... 328
Pewterers, mediæval..... 453
Philadelphia, municipal ownership of gas-works in, 523; street railway companies in..... 556
Plattsmouth, manufacture of cultivators at..... 39
Political Economy in England and America, 302-303; two schools of, 304-306; definition of..... 507
Pollock, Governor, on sale of public works of Pennsylvania..... 149
Porter, Governor, on the finances of Pennsylvania.....167-170
Poor, Mr., on cost of railroads in United States.... 285
Pope, the, proclamation of, in 1383.....471–472
Powderly, T. V., on coöperation..... 61
Powers of municipalities respecting public works.... 563
President's message in 1872. 261
Preston, survival of guild customs in..... 427
Price of gas, disregard of competition in fixing.... 512
Prices, customary, in middle ages..... 455
Property, personal, in Pennsylvania..... 204

Providence, rental of franchises in.....561–562
"Pruning Knife," on coöperation..... 65
Public Finance, report of the committee of the American Economic Association on..... 497
Public Health Act of England..... 571
Public Improvement Society, 140
Public Ledger on act of 1845, 186
Public ownership of works in New England, 525-526; conclusions as to.....526–527
Public works, control over, by municipalities, 527; powers of municipalities respecting..... 563
Public works of Pennsylvania, cost, revenue and expenditures of, 144; sale of, 146, 148, 150; reason for failure of..... 151

R

Railroads, relation of government to, 241; monopoly nature of, 249-250; necessity of regulation of, by federal government, 251; corruption in early construction of, 252-254; failure of competition as a regulator of, 255; abuses of, 257; report in House of Representatives on, in 1868, 260; Windom report, 262; discrimination in, 265; Cullom report, 267; growth of traffic of, as compared with canals, 278-279; Supreme Court decisions on, 279-283; capital wasted in construction of, 283-284; cost of, 285; saving effected by, 286; rates as compared with canals..... 291
Railway Question, 228; report of committee of Association on.....236-243
Rates on canals and railroads..... 291
Receipts, gross, tax on, in Pennsylvania.....212–213
Relation of Modern Municipalities to *Quasi*-Public Works..... 497
Relief notes, the, of Pennsylvania.....174, 175
Religion and coöperation, 118-119
Report of the Committee on Public Finance of the American Economic Association..... 497
Republican, Geauga..... 27
Repudiation in Pennsylvania.....183, 185-186
Revenue of Pennsylvania, 163, 203, 218-221; surplus of United States, 164; municipal, different ways of deriving, from street railways, 551, 555-556; by taxation and licenses of street railways in various cities, 557; by sale of franchises of street railways.....559-561
Richmond, Ind., price of gas in..... 529
Richmond, Va., municipal ownership of gas-works in. 523
Roads, legislation on, for the American state.....242-243
Robert of Poley..... 349
Rochester, N. Y., electric lighting in..... 548
Roxbury, street railway charter in..... 551
Rural coöperation, *see* farmers.

S

Saddlers, journeymen, of London..... 472
St. Louis, coöperation in...90–93
St. Louis Furniture Workers' Association..... 90
St. Paul, street railway charter in..... 552
Samuel, John, on coöperation.....59–61, 66–67
San Francisco, electric lighting in, 548; railway companies in.....555–557
Sawyer, Granville, on coöperation..... 54
Schaeffer, Dr. Chas., on gas capital..... 517

Schilling, Socialist, on coöperation..... 53
Schuylkill Navigation Company..... 138
Science of finance, definition of..... 508
Seligman, Dr. E. R. A., author of Two Chapters on the Mediæval Guilds of England..... 383
Sharpe, Henry E., manager of integral coöperation.... 62
Shay, John H..... 76
Shearer, mediæval..... 355
Shearman, mediæval....359, 371
Shopping by mail..... 47
Simon de Montfort..... 334
Sinking fund of Pennsylvania.....190, 192
Smith, Rev. Sidney, 160; letter of, to Congress..... 178
Socialists, opposition of, to individual coöperation.... 51
South Bend Coöperative Association..... 37
Speculation, spirit of.....157–159
Spring Hill, coöperation at. 37
Spurriers..... 452
Stallage, in middle ages.317, 439
Standard Coöperative Pottery Company, of East Liverpool, Ohio 95–96
Stanford, Senator, on Cullom bill.....294–295
Stanhope, Mr..... 27
Staple, the, merchants of... 333
State bills of credit of Pennsylvania.....174–175
Statutes of laborers..... 474
Sterne, Simon, on canals.... 289
Streator Coöperative Society 76–78
Street railways, early charters to, in various cities, 551–552; relation of, to municipalities, 553–554; companies of, to keep streets in repair in various cities, 555; municipal revenue from.... 551, 557-558, 559–561
Strickland, William..... 143
Summa Convivia.....411, 414
Summer, Mr.....161–162
Summit Coöperative Coal and Mining Company.... 88
Sunbury and Erie Railroad Company..... 150
Supply House of Ohio..... 15
Supreme Court railroad decisions.....279–283

T

Tailleur, Perot C..... 328
Tailors' guilds..... 459
Taxation in Pennsylvania, place of, in revenue, 126-127; opposition of people to, 157; recommendations of treasurer on, 165; Governor Porter on, 167-168; report of committee on, 171-172; law for imposing, 172-173; act of 1844, 177-178; at various times, 180-182; on state loans, 187; law for, in 1858, 192; local, 194; by Dutch and Swedish settlements, 195-196; apportionment of the demand by congress in 1782, 198-199; assessment and collection of, 200-201, 202-204; on personal property, 204-205; other forms of, 206-208; constitutional provision for.....221–225
Taylor, Benjamin F..... 111
Terre Haute, Indiana, electric lighting in..... 548
Thompson-Houston Electric Company in Detroit..... 544
Three Phases of Coöperation in the West..... 3
Thurber, B. F., on canals, 289–290
Toledo, electric lighting in.. 549
Tonsor.. 355
Toothaker, Hon. W. H..... 35
Towns, English, origin of, 413; not developed from guilds, 414; influence of, in economic life..... 458
Trade, in cloth, explanation of rise of, 354-359; early restricted to merchant guilds, 404; impositions on, in early England, 405; mediæval, three offences of..... 455
Traders, rise of companies of 347

DOES NOT CIRCULATE

Transportation, tax on companies of, in Pennsylvania, 212; the part of government in, 239; different ways of, 242; by canals, 288–291
Treasurer of Pennsylvania, report of, in 1845, 184; county.....203, 206
Treasury of Pennsylvania, abstract of operations of.. 182
Tribune, Chicago Daily, report of socialist meeting.....51–55
Trinoda necessitas..... 405
Two Chapters on the mediæval Guilds of England.... 381

U

Union Canal.....136–137
Union Mining Company.... 85
United States Bank of Pennsylvania.....161–162
Utah, coöperation in....114–115

V

Vermont, public ownership of works in..... 526

W

Waite, Chief Justice, decision on railroad case...279-280
Walker, Francis A..56, 103, 104
Wallace, John M....185-186, 187
Warner, A. G., author of Three Phases of Coöperation in the West..... 3
Watches, tax on, in Philadelphia.....204-205
Watered stock in gas-works 518
Water-works, Dr. G. W. Knight on, 502, 533; number of, in the United States, 511, 520; municipal control of, 523, 527; in New England, 525-526; in Columbus, 536; in Detroit, 536; in England, France and Germany.....577-579
Weavers, mediæval, early existence of, 310-311; in London, 319-320, 340-346, 463-464; of Flemings, 346-348; and craft-guilds, 438-439; contests of, with burghers, 440-441; prohibition of night work by..... 453
Wergild.....392-393
Wheeling, municipal ownership of gas-works in..... 523
Windom report..... 262
Woad.....318, 326
Wolcott, F. P..... 17
Wolfe, Governor of Pennsylvania.....150, 156
Wolsey and the drapers.... 378
Woman's Coöperative Exchange of Denver..... 66
Wool, importance of industry of, in mediæval times, 308-309, 374-375; industry of, in London, 322, 324; export of, from England, 329-330, 333-334; decree of barons on, in 1258, 334; prohibition of exportation of, 336; export and import of, in 1354, 339-340; dealers in.....355-356
Workmen, condition of, in mediæval times, 468; contests of, with the master, 470-471
Worsted stuffs, manufacture of, in Norwich.....349-350
Worthington, T. K., author of Historical Sketch of Finances of Pennsylvania.. 123

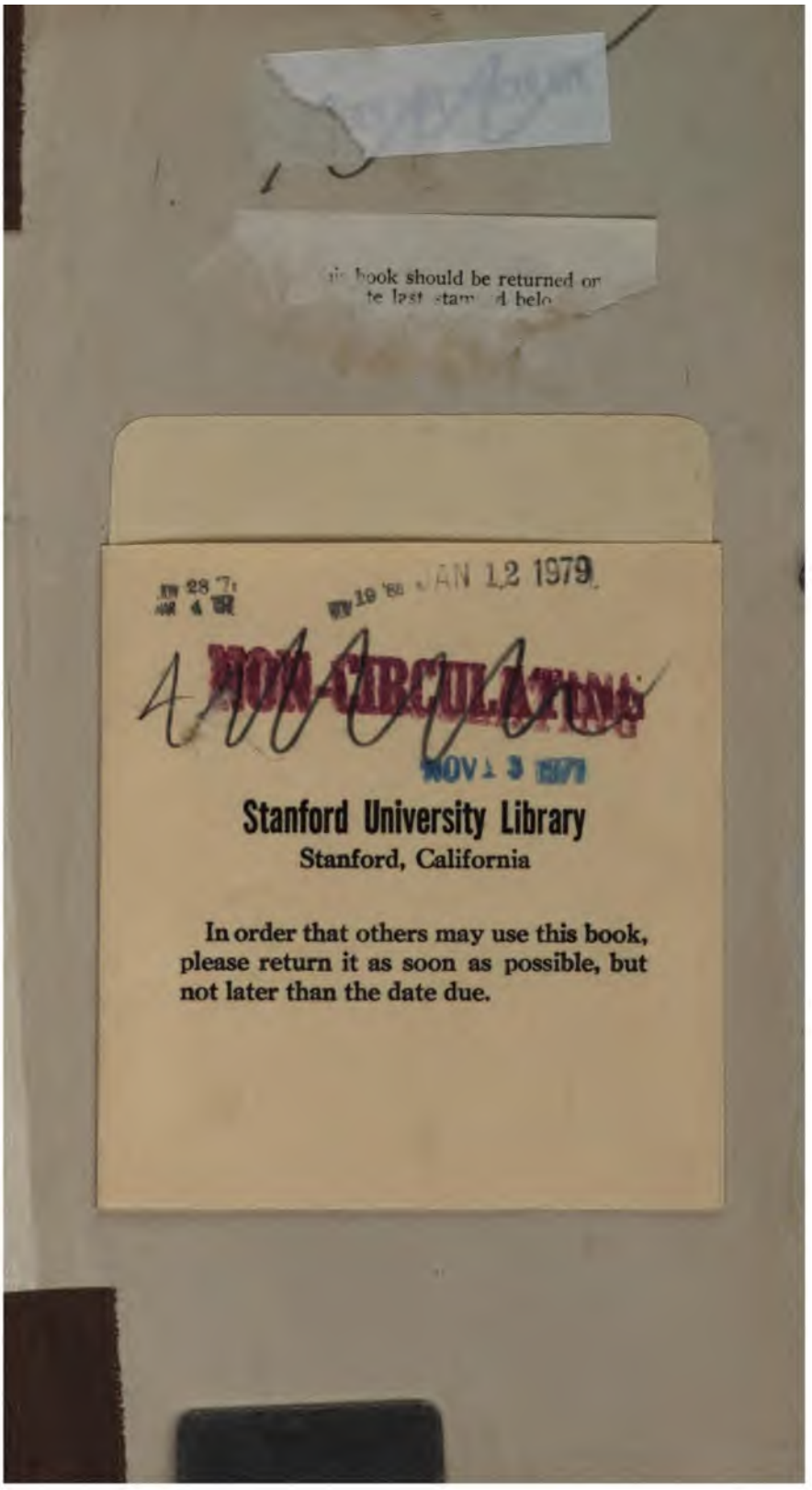
Y

Yager, Arthur..... 505
York Society of Integral Coöperation.....62-64
Young, Brigham....107, 108, 112
Ypsilanti, Mich., electric lighting in..... 548

Z

Zion's Coöperative Mercantile Institution, 107-114; Caine, John T., on, 109; statement of resources of, 110; shareholders in..... 112
Zunft-Zwang..... 445

DOES NOT CIRCULATE


book should be returned or
te last stamped belo
NOV 19 '68
JAN 12 1979
NON-CIRCULATING
NOV 3
Stanford University Library
Stanford, California
In order that others may use this book, please return it as soon as possible, but not later than the date due.